

AvivaSA Emeklilik ve Hayat Anonim Şirketi

**Financial statements together with independent
auditors' report for the years ended December 31,
2012 and 2011**

AvivaSA Emeklilik ve Hayat Anonim Şirketi

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AvivaSA Emeklilik ve Hayat Anonim Şirketi Independent auditors' report

To the Board of Directors of
AvivaSA Emeklilik ve Hayat Anonim Şirketi

We have audited the accompanying financial statements of AvivaSA Emeklilik ve Hayat A.Ş. ("the Company"), which comprise the statement of financial positions as at December 31, 2012 and 2011 and the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, together with a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

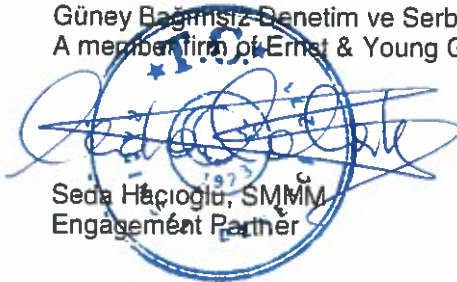
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AvivaSA Emeklilik ve Hayat A.Ş. as at December 31, 2012 and 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Seda Haçioğlu, SMMM
Engagement Partner

August 29, 2014
Istanbul, Turkey

AvivaSA Emeklilik ve Hayat A.Ş.

Statement of financial positions

As at December 31, 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets	Note	Audited	Audited	Audited
		December 31, 2012	December 31, 2011	January 1, 2011
Cash and cash equivalents	5	299,185,453	268,144,618	165,589,340
Financial assets	6	409,546,878	423,394,806	493,710,142
Premium and other insurance receivables	8	10,252,839	8,595,187	6,861,075
Reinsurance share of insurance liabilities	7	5,112,213	2,658,499	1,517,735
Deferred expenses	19	98,668,177	83,573,217	62,188,769
Other financial assets	13	849,457	857,460	859,603
Pension business receivables	9	10,653,958	8,550,590	6,522,708
Other assets	10	2,623,576	1,093,595	2,173,347
Property and equipment, net	11	5,800,125	4,029,006	4,087,905
Intangible assets, net	12	4,831,598	1,814,772	1,328,891
Total assets		847,524,274	802,711,750	744,839,515
Liabilities	Note	December 31, 2012	December 31, 2011	January 1, 2011
Financial liabilities	14	1,189,477	2,280,000	3,102,248
Due to insurance and reinsurance companies	15	5,106,963	4,802,190	3,225,226
Pension business payables	9	72,461,918	53,615,139	43,944,969
Insurance contract liabilities	21	472,470,554	474,886,150	488,152,614
Provision for employment termination benefits	18	1,810,014	1,272,987	792,468
Deferred tax liabilities	17	12,707,527	11,108,075	7,801,911
Taxes on income	17	1,041,040	-	666,164
Other payables and liabilities	20	19,490,484	25,456,521	17,805,225
Other provisions	16	19,162,168	15,299,024	12,557,441
Total liabilities		605,440,145	588,720,086	578,048,266
Share capital	22	51,971,980	51,971,980	51,971,980
Fair value reserves from available for sale assets	22	1,912,678	284,402	4,372,530
Other capital reserves	22	66,865,115	66,865,115	66,865,115
Profit reserves	22	9,168,359	5,711,322	5,711,322
Retained earnings		62,803,123	37,870,302	37,870,302
Profit for the year		49,362,874	51,288,543	-
Total shareholders' equity		242,084,129	213,991,664	166,791,249
Total equity and liabilities		847,524,274	802,711,750	744,839,515

The accompanying notes form an integral part of these financial statements.

AvivaSA Emeklilik ve Hayat A.Ş.

Income statements

For the year ended December 31, 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Income Statement	Note	Audited January 1 – December 31, 2012	Audited January 1 – December 31, 2011
Income:			
Gross written premiums	24	197,543,663	148,415,864
Premium ceded to reinsurers	24	(9,265,069)	(6,951,606)
Premium written net of reinsurance	24	188,278,594	141,464,258
Net change in provision for unearned premiums reserves	21	(10,171,107)	856,527
Net premiums earned		178,107,487	142,320,785
Net change in mathematical reserves	21	71,101,000	66,291,069
Income generated from pension business	25	135,595,087	111,008,583
Investment and other income / (expense), net	28	24,913,716	26,007,291
Commission income	27	2,039,795	1,295,013
Foreign exchange gain, net		-	5,004,810
Other income, net	31	-	335,110
Total income		411,757,085	352,262,661
Expenses:			
Claims paid and change in outstanding claims	21	(138,923,142)	(123,154,217)
General and administrative expenses	30	(128,865,021)	(110,421,412)
Pension expenses including commission	29	(37,706,204)	(32,098,999)
Foreign exchange loss, net	26	(2,818,956)	-
Commission expense	27	(37,115,346)	(24,482,705)
Other expense, net		(1,103,483)	-
Total expenses		(346,532,152)	(290,157,333)
Profit before taxes		65,224,933	62,105,328
Income tax expense	17	(15,862,059)	(10,816,785)
Profit for the year		49,362,874	51,288,543
Earnings per share (TL 0.01 nominal value per share)	23	0.0138	0.0143

The accompanying notes form an integral part of these financial statements.

AvivaSA Emeklilik ve Hayat A.Ş.**Statements of comprehensive income
For the year ended December 31, 2012 and 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

		Audited	Audited
		January 1 – December 31, 2012	January 1 – December 31, 2011
Statement of comprehensive income	Note		
Profit for the year		49,362,874	51,288,543
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain/loss on available-for-sale assets		2,035,345	(5,110,160)
Income tax relating to components of other comprehensive income		(407,069)	1,022,032
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	22	1,628,276	(4,088,128)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income, net of tax	22	1,628,276	(4,088,128)
Total comprehensive income, net of tax		50,991,150	47,200,415

The accompanying notes form an integral part of these financial statements.

AvivaSA Emeklilik ve Hayat A.Ş.

**Statements of changes in equity
For the year ended December 31, 2012 and 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

	Note	Share capital	Other capital reserves	Available for – sale financial assets	Profit reserves	Retained earnings	Profit for the year	Audited Total
Balance at January 1, 2011		51,971,980	66,865,115	4,372,530	5,711,322	37,870,302		166,791,249
Profit for the year		-	-	-	-	-	51,288,543	51,288,543
Other comprehensive income / (loss)	22	-	-	(4,088,128)	-	-	-	(4,088,128)
Total comprehensive income		-	-	(4,088,128)	-	-	51,288,543	47,200,415
Balance at December 31, 2011		51,971,980	66,865,115	284,402	5,711,322	37,870,302	51,288,543	213,991,664
	Note	Share capital	Other capital reserves	Available for – sale financial assets	Profit reserves	Retained earnings	Profit for the year	Audited Total
Balance at January 1, 2012		51,971,980	66,865,115	284,402	5,711,322	37,870,302	51,288,543	213,991,664
Profit for the year		-	-	-	-	-	49,362,874	49,362,874
Transfer to retained earnings		-	-	-	-	51,288,543	(51,288,543)	-
Transfer	22	-	-	-	3,457,037	(3,457,037)	-	-
Dividend payment	22	-	-	-	-	(22,898,685)	-	(22,898,685)
Other comprehensive income	22	-	-	1,628,276	-	-	-	1,628,276
Total comprehensive income		-	-	1,628,276	-	-	49,362,874	50,991,150
Balance at December 31, 2012		51,971,980	66,865,115	1,912,678	9,168,359	62,803,123	49,362,874	242,084,129

The accompanying notes form an integral part of these financial statements.

AvivaSA Emeklilik ve Hayat A.Ş.

Statements of cash flows

For the year ended December 31, 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Cash Flow Statement	Note	Audited January 1 – December 31, 2012	Audited January 1 – December 31, 2011
Cash flows from operating activities:			
Profit for the year		49,362,874	51,288,543
Income taxes	17	15,862,059	10,816,785
Depreciation and amortization	30	2,856,455	2,495,122
(Gains) / losses from sale of property and equipment		19,261	9,878
Interest income		(24,964,362)	(26,037,073)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		617,150	(102,572)
Fair value changes in financial assets		(12,729,350)	28,574,634
Increase in claims provision	21	140,148,945	123,769,545
Change in life mathematical reserves	21	(21,197,149)	(15,275,948)
Change in provision for unearned premiums reserves	21	11,399,018	(331,092)
Provision for employment termination benefits	18	2,098,204	1,633,835
Change in other provisions		(2,659,646)	(756,869)
Operating profit before changes in operating assets / liabilities		160,813,459	176,084,788
Changes in operating assets and liabilities:			
Change in premium and other insurance receivables	8	(1,657,652)	(1,734,112)
Change in other assets	10	(1,529,981)	1,079,752
Change in deferred expenses	19	(15,094,960)	(21,384,448)
Change in pension business receivables	9	(2,103,368)	(2,027,882)
Change in pension business payables	9	18,846,779	9,670,170
Taxes paid	17	(13,174,011)	(666,164)
Cash paid for claims settled during the year, net	21	(132,766,410)	(121,428,970)
Employment termination benefits paid	18	(1,561,177)	(1,153,316)
Net cash provided from operating activities		11,772,679	38,439,818
Cash flows from investing activities:			
Acquisition of property and equipment	11	(3,344,868)	(1,527,905)
Acquisition of intangible assets	12	(4,322,258)	(1,414,734)
Acquisition of financial assets	6	(424,762,744)	(134,254,777)
Proceeds from sale of financial assets	6	451,340,022	175,995,479
Change in time deposits with maturities more than 3 months	5	86,029,680	(97,403,179)
Interest received		24,879,294	26,323,037
Net cash provided by/(used in) investing activities		129,819,126	(32,282,079)
Cash flow from financing activities:			
Dividend payment	22	(22,898,685)	-
Change in financial liabilities	14	(1,090,523)	(822,248)
Net cash provided by/(used in) financing activities		(23,989,208)	(822,248)
Effect of exchange rates on cash and cash equivalents		(617,150)	102,572
Net increase in cash and cash equivalents		116,985,447	5,438,063
Cash and cash equivalents at the beginning of the year		157,229,174	151,791,111
Cash and cash equivalents at the end of the year	5	274,214,621	157,229,174

The accompanying notes form an integral part of these financial statements.

AvivaSA Emeklilik ve Hayat A.Ş.

**Notes to the financial statements
for the year ended December 31, 2012 and 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

1. Corporate information

AvivaSA Emeklilik ve Hayat Anonim Şirketi ("the Company") was established on October 31, 2007 by the merger of Ak Emeklilik Anonim Şirketi ("Ak Emeklilik") with Aviva Hayat ve Emeklilik Anonim Şirketi (Aviva Emeklilik).

Ak Emeklilik was established in Istanbul on December 6, 1941 with the title of Doğan Sigorta A.Ş. On October 3, 1995, title of the Company was changed as to "Akhayat Sigorta Anonim Şirketi" and declared on the Trade Registry Gazette.

The Company has been transformed into a pension company with the official letter of the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Undersecretariat of Treasury") dated December 3, 2002 numbered 77941.

Based on the decision of the Company's Board of Directors dated December 11, 2002 numbered 26 and the Extraordinary General Meeting held on January 23, 2003, it has been decided to amend the articles of association for change in company title and scope of the operations and to add Article 40 related to Pension Investment Fund Portfolio and Portfolio Managers. The title of Company has been changed as "Ak Emeklilik Anonim Şirketi" and declared on Trade Registry Gazette dated January 31, 2003 numbered 5730.

Following the frame agreed upon the merger contract dated July 27, 2007 and pursuant to Turkish Commercial Code Article 451 and Corporate Tax Law Article 19-20, Ak Emeklilik has acquired Aviva Emeklilik together with all assets and liabilities as a whole through dissolution without liquidation. Ak Emeklilik has become the successor of Aviva Emeklilik. Merger transaction has been realized pursuant to valuations of expert committee assigned by Decision No. 2007/876 D. of Kadıköy Commercial Court of First Instance No. 3 dated July 11, 2007 with the expert report dated 16 July 2007 based on balance sheets of Ak Emeklilik and Aviva Emeklilik as of 31 May 2007 together with other information. This merger has been published on Trade Registry Gazette No. 6930 dated on November 6, 2007 and new title of the Company was announced as "AvivaSA Emeklilik ve Hayat Anonim Şirketi".

After the merger, shareholders of the Company are Aviva International Holdings Limited ("Aviva International") (49.83% share ratio) and Aksigorta Anonim Şirketi ("Aksigorta") (49.83% share ratio).

Aksigorta Anonim Şirketi transferred its shares of AvivaSA Emeklilik ve Hayat A.Ş. to Hacı Ömer Sabancı Holding A.Ş. within the scope of clause "b" of Paragraph 3 of Article 3 of Corporate Tax Law numbered 5520 and under the provisions of "Partial Division of Corporations and Limited Liability Companies Procedures and Operations Joint Communiqué on Principles of Editing" published in the Official Gazette No. 25230 dated 16.09.2003. The transfer was registered and announced on January 12, 2010 and published in the Trade Registry Gazette No. 7481 dated January 18, 2010.

Aviva International Holdings Limited transferred its shares of AvivaSA Emeklilik ve Hayat A.Ş. to Aviva Europe SE on October 28, 2011.

The Company is engaged in pension business and life insurance. The Company also issues insurance policy for personal accidents.

On July 7, 2003, Ak Emeklilik acquired a pension operating license from the Undersecretariat of Treasury to operate in the pension branch. The individual pension investment funds were registered by the Capital Market Board (CMB) on September 26, 2003 and the sale of pension products started as of October 27, 2003.

AvivaSA Emeklilik ve Hayat A.Ş.

Notes to the financial statements

for the year ended December 31, 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. Corporate information (continued)

On August 26, 2003, Aviva Emeklilik acquired a pension operating license from the Undersecretariat of Treasury to operate also in the pension branch. The individual pension investment funds were registered by the Capital Market Board (CMB) on October 27, 2003, the individual retirement plans were approved on December 12, 2003 and the sale of pension products started as of December 15, 2003. In accordance with the decree of the Board of Directors dated October 8, 2007 and numbered 15, it was decided that the pension investment funds of Aviva Emeklilik shall be transferred to Ak Emeklilik as of October 31, 2007. The pension funds of the Company have been managed by Ak Portföy as of November 1, 2007. AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu, established as of December 20, 2011, started to be managed by Ata Portföy.

In accordance with the permission acquired from CMB dated November 20, 2008 and numbered 15-1098, the names of Pension Investment Funds have been changed. The amendments were put into practice as of December 5, 2008.

As of December 31, 2012, the Company has nineteen pension investment funds (December 31, 2011: 19 pension funds, January 1, 2011: 19). The pension investment funds of the Company are as follows:

Name of Pension Fund	Date of Establishment	Preliminary Unit Cost (TL)
AvivaSA Emeklilik ve Hayat A.Ş. Dengeli Emeklilik Yatırım Fonu	21.10.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Esnek Emeklilik Yatırım Fonu	21.10.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Likit Emeklilik Yatırım Fonu	21.10.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Uluslararası Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	08.11.2005	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	28.12.2006	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	20.08.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	20.08.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	20.08.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	20.08.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	20.08.2003	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu - Grup	05.01.2005	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	05.01.2005	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Grup Emeklilik Yatırım Fonu	05.01.2005	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Grup Emeklilik Yatırım Fonu	17.08.2010	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu	20.12.2011	0.010000
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Alternatif Esnek Emeklilik Yatırım Fonu	20.12.2011	0.010000

AvivaSA Emeklilik ve Hayat A.Ş.

Notes to the financial statements for the year ended December 31, 2012 and 2011 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. Corporate information (continued)

As at December 31, 2012, 2011 and January 1, 2011 units and amounts of share certificates in portfolio and in circulation are as follows:

Share certificates in circulation	December 31, 2012		December 31, 2011		January 1, 2011	
	Unit	Amount	Unit	Amount	Unit	Amount
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	3,336,793,261	80,456,759	3,297,997,623	71,368,669	2,324,188,248	42,225,852
AvivaSA Emeklilik ve Hayat A.Ş. Dengeli Emeklilik Yatırım Fonu	2,545,281,828	92,095,932	2,962,243,111	85,555,505	2,934,757,488	90,337,705
AvivaSA Emeklilik ve Hayat A.Ş. Esnek Emeklilik Yatırım Fonu	4,151,504,962	158,537,672	3,986,118,001	121,289,598	3,477,193,325	112,647,155
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	2,451,698,406	52,586,479	2,174,576,564	41,247,368	-	-
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	9,138,937,065	342,710,140	8,303,132,139	276,411,269	8,782,617,629	280,876,894
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Likit Emeklilik Yatırım Fonu	1,518,001,307	41,153,015	1,061,325,754	28,817,579	763,741,904	18,119,777
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Uluslararası Borçlanma Araçları Emeklilik Yatırım Fonu	1,068,689,723	15,574,015	1,358,065,023	20,165,907	1,041,986,851	12,371,510
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	2,418,058,625	53,400,407	2,347,651,108	33,693,489	1,502,511,183	27,886,608
AvivaSA Emeklilik ve Hayat A.Ş. Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	9,877,401,900	284,795,129	9,070,800,841	244,494,366	8,533,264,517	216,872,917
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	38,352,243,634	1,462,409,402	33,431,785,931	1,140,090,764	30,393,644,269	1,002,838,292
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	20,719,039,114	793,104,098	17,589,102,116	549,870,510	13,542,734,701	456,390,159
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	700,199,574	9,592,034	770,336,899	10,062,141	187,104,149	2,248,431
AvivaSA Emeklilik ve Hayat A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	4,911,509,677	216,430,586	4,409,866,066	127,625,992	3,051,990,899	116,326,633
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu-Grup	9,867,634,743	290,108,461	4,618,363,514	119,624,852	3,562,790,042	87,801,398
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	3,487,897,003	98,013,394	2,469,054,423	62,963,109	1,924,965,733	46,366,650
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Grup Emeklilik Yatırım Fonu	1,244,601,436	42,101,133	1,059,180,209	23,339,036	794,182,693	22,341,153
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Grup Emeklilik Yatırım Fonu	1,347,089,858	17,129,595	324,654,866	3,228,368	-	-
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu	108,649,657	1,227,089	-	-	-	-
Gelir Amaçlı Kamu Dış Borçlanma Araçları Grup Emeklilik Yatırım Fonu	-	-	-	-	214,231,770	3,378,435
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Borçlanma Araçları (USD) Emeklilik Yatırım Fonu	-	-	-	-	754,988,800	11,490,175
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Karma Borçlanma Araçları (Euro) Emeklilik Yatırım Fonu	-	-	-	-	478,721,266	7,837,146
	117,245,231,773	4,051,425,340	99,234,256,188	2,957,868,522	84,265,615,467	2,558,356,890

AvivaSA Emeklilik ve Hayat A.Ş.

**Notes to the financial statements
for the year ended December 31, 2012 and 2011
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1. Corporate information (continued)

The average personnel number of the Company is 1,308 employees for the year ended December 31, 2012 (December 31, 2011: 1,279, January 1, 2011: 1,176).

The registered office of the Company is Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 12, 34768 Ümraniye, İstanbul – Turkey.

The accompanying financial statements of AvivaSA Hayat ve Emeklilik Anonim Şirketi for the year ended December 31, 2012 and 2011 were authorised for issue by the Company Management as of August 29, 2014.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued by the International Accounting Standards Board ("IASB") and effective as at the time of preparing these financial statements. They have been prepared under the historical cost basis, except for available for sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury (local GAAP) in Turkish Lira ("TL") which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS. The financial statements are presented in Turkish lira ("TL").

For all periods up to and including the year ended December 31, 2011, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These financial statements for the year ended December 31, 2012 are the first the Company has prepared in accordance with IFRS. Refer to Note 2.1.1 for information on how the Company adopted IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed in Note 2.4

Financial statements of the Company have been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standards ("IAS") IAS 29 – Financial Reporting in Hyperinflationary Economies until December 31, 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

**Notes to the financial statements
for the year ended December 31, 2012 and 2011
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2. Accounting policies (continued)

2.1.1 First time adoption of IFRS

These financial statements, for the year ended December 31, 2012, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended December 31, 2011, the Company prepared its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury ("Insurance Legislation")(Local GAAP). Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after December 31, 2012, together with the comparative period data as at and for the year ended December 31, 2011, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at January 1, 2011, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at January 1, 2011 and the financial statements as at and for the year ended December 31, 2011.

Business combinations

IFRS has been applied retrospectively, except for certain optional and mandatory exemptions from full retrospective application, as provided for by IFRS 1 (Revised 2009) First-Time Adoption of International Financial Reporting Standards, as detailed below.

The Company has elected to apply IFRS 3 Business Combinations prospectively only to business combinations on or after transition date. As a result, business combinations prior to transition have not been restated. Upon adoption of IFRS, the Company is now only permitted to recognise existing liabilities contained in the acquires financial statements on acquisition, rather than recognising liabilities arising from acquisitions regardless of whether the acquire had recognised these types of liabilities or not.

AvivaSA Emeklilik ve Hayat A.Ş.

Notes to the financial statements
for the year ended December 31, 2012 and 2011
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2. Accounting policies (continued)

Reconciliations of financial position from Local GAAP to IFRS are presented below:

December 31, 2011	Note	Local GAAP	Effect of the transition to IFRS	IFRS
Assets				
Cash and cash equivalents		268,144,618	-	268,144,618
Financial assets		423,394,806	-	423,394,806
Premium and other insurance receivables	A	165,331,847	(156,736,660)	8,595,187
Reinsurance share of insurance liabilities	B	-	2,658,499	2,658,499
Deferred expenses	C	10,115,341	73,457,876	83,573,217
Other financial assets		857,460	-	857,460
Pension business receivables	D	2,966,419,112	(2,957,868,522)	8,550,590
Other assets		1,093,595	-	1,093,595
Deferred tax asset	E	3,583,500	(3,583,500)	-
Property and equipment, net		4,029,006	-	4,029,006
Intangible assets, net		1,814,772	-	1,814,772
Total assets		3,844,784,057	(3,042,072,307)	802,711,750
Liabilities and Equity				
Liabilities				
Financial liabilities		2,280,000	-	2,280,000
Due to insurance and reinsurance companies		4,802,190	-	4,802,190
Pension business payables	D	3,011,483,661	(2,957,868,522)	53,615,139
Insurance contract liabilities	A,B,F	633,001,132	(158,114,982)	474,886,150
Provision for employment termination benefits		1,272,987	-	1,272,987
Deferred tax liabilities	E	-	11,108,075	11,108,075
Taxes on income		-	-	-
Other payables and liabilities		25,456,521	-	25,456,521
Other provisions		15,299,024	-	15,299,024
Total liabilities		3,693,595,515	(3,104,875,429)	588,720,086
Equity				
Share capital		51,971,980	-	51,971,980
Fair value reserves from available for sale assets		284,402	-	284,402
Other capital reserves		66,865,115	-	66,865,115
Profit reserves		5,711,322	-	5,711,322
Retained earnings		(5,634,052)	43,504,354	37,870,302
Profit for the year		31,989,775	19,298,768	51,288,543
Total shareholders' equity		151,188,542	62,803,122	213,991,664
Total equity and liabilities		3,844,784,057	(3,042,072,307)	802,711,750

AvivaSA Emeklilik ve Hayat A.Ş.

Notes to the financial statements
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2. Accounting policies (continued)

Reconciliation of income statement from Local GAAP to IFRS is presented below:

January 1 – December 31, 2011	Note	Local GAAP	Effect of the transition to IFRS	IFRS
Income:				
Gross written premiums		148,415,864	-	148,415,864
Premium ceded to reinsurers		(6,951,606)	-	(6,951,606)
Premium written net of reinsurance		141,464,258	-	141,464,258
Net change in provision for unearned premiums reserves		856,527	-	856,527
Net premiums earned		142,320,785	-	142,320,785
Net change in mathematical reserves		66,291,069	-	66,291,069
Income generated from pension business		111,008,583	-	111,008,583
Investment and other income / (expense), net		26,007,291	-	26,007,291
Commission income		1,295,013	-	1,295,013
Foreign exchange gain, net		5,004,810	-	5,004,810
Other income, net		335,110	-	335,110
Total income		352,262,661	-	352,262,661
Expenses:				
Claim paid and change in outstanding claims		(123,154,217)	-	(123,154,217)
General and administrative expenses	C	(120,262,333)	9,840,921	(110,421,412)
Net change in other technical reserves	F	(1,592,622)	1,592,622	-
Pension expenses including commission	C	(44,390,761)	12,291,762	(32,098,999)
Foreign exchange loss, net		-	-	-
Commission expense		(24,482,705)	-	(24,482,705)
Total expenses		(313,882,638)	23,725,305	(290,157,333)
Profit before taxes		38,380,023	23,725,305	62,105,328
Income tax expense		(6,390,248)	(4,426,537)	(10,816,785)
Profit for the year		31,989,775	19,298,768	51,288,543
Other comprehensive income (OCI) components:				
OCI components to be reclassified to profit or loss in subsequent periods:				
Net gain/ loss on available-for-sale assets		(5,110,160)	-	(5,110,160)
Income tax relating to components of other comprehensive income		1,022,032	-	1,022,032
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(4,088,128)	-	(4,088,128)
OCI components not being reclassified to profit or loss in subsequent periods:				
Other comprehensive income, net of tax		(4,088,128)	-	(4,088,128)
Total comprehensive income, net of tax		27,901,647	19,298,768	47,200,415

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Notes to the financial statements
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2. Accounting policies (continued)

Reconciliation of financial position from Local GAAP to IFRS as of January 1, 2011 is presented below:

January 1, 2011	Note	Local GAAP	Effect of the transition to IFRS	IFRS
Assets				
Cash and cash equivalents		165,589,340	-	165,589,340
Financial assets		493,710,142	-	493,710,142
Premium and other insurance receivables	A	145,206,142	(138,345,067)	6,861,075
Reinsurance share of insurance liabilities	B	-	1,517,735	1,517,735
Deferred acquisition costs	C	10,863,577	51,325,192	62,188,769
Other financial assets		859,603	-	859,603
Pension business receivables	D	2,564,879,598	(2,558,356,890)	6,522,708
Other assets		2,173,347	-	2,173,347
Deferred tax asset	E	2,463,127	(2,463,127)	-
Property and equipment, net		4,087,905	-	4,087,905
Intangible assets, net		1,328,891	-	1,328,891
Total assets		3,391,161,672	(2,646,322,157)	744,839,515
Liabilities and Equity				
Liabilities				
Financial liabilities		3,102,248	-	3,102,248
Due to insurance and reinsurance companies		3,225,226	-	3,225,226
Pension business payables	D	2,602,301,859	(2,558,356,890)	43,944,969
Insurance contract liabilities	A, B, F	627,424,146	(139,271,532)	488,152,614
Provision for employment termination benefits		792,468	-	792,468
Deferred tax liabilities	E	-	7,801,911	7,801,911
Taxes on income		666,164	-	666,164
Other payables and liabilities		17,805,225	-	17,805,225
Other provisions		12,557,441	-	12,557,441
Total liabilities		3,267,874,777	(2,689,826,511)	578,048,266
Equity				
Share capital		51,971,980	-	51,971,980
Fair value reserves from available for sale assets		4,372,530	-	4,372,530
Other capital reserves		66,865,115	-	66,865,115
Profit reserves		5,711,322	-	5,711,322
Retained earnings		(5,634,052)	43,504,354	37,870,302
Total shareholders' equity		123,286,895	43,504,354	166,791,249
Total equity and liabilities		3,391,161,672	(2,646,322,157)	744,839,515

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**Notes to the financial statements
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2. Accounting policies (continued)

The basis of material adjustments between Local GAAP and IFRS are as follows:

- A.** The Company has netted-off the loans to insured from the insurance contract liabilities in line with IAS 32 amounting to TL 156,736,660 (January 1, 2011: TL 138,345,067).
- B.** The Company has reclassified the reinsurance shares of the insurance liabilities as a separate line item under assets.
- C.** The Company has recalculated the deferred expenses for IFRS purposes and adjusted the deferred expenses amounting to TL 73,457,976. The effect of the adjustment to income statement for the year ended December 31, 2011 is to decrease expenses by TL 22,132,683 before tax. Details of the methodology and calculation have been explained in Note 2.2 (January 1, 2011: TL 51,325,193).
- D.** The Company has netted-off the pension investment funds which have been accounted under assets and liabilities in Local GAAP amounting to TL 2,957,868,522 (January 1, 2011: TL 2,558,356,890).
- E.** Deferred tax effect of the adjustments has been calculated and adjusted. Details of the calculation have been disclosed in Note 17.
- F.** Under Local GAAP, an equalisation provision is required for a general insurer, to eliminate or reduce the volatility of incurred claims arising from exceptional levels of claims. Under IFRS, no equalisation provision is recorded as a liability, as there is no present obligation for the losses and the Company has reversed the equalisation reserve of TL 1,592,622 in IFRS financials.

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2. Accounting policies (continued)

2.2 Summary of significant accounting policies

a) Premium income, net

For short-term insurance contracts, premiums are recognized on accrual basis after cancellations and net of premiums ceded to reinsurance firms, proportionally over the period of coverage. The portion of premium accrued on in-force contracts that relates to unexpired risks at reporting date is recognized as the reserve for unearned premiums that are calculated on a daily pro-rata basis. Premiums are presented before deduction of commissions given or received and deferred acquisitions costs, and are gross of any taxes and duties levied on premiums.

For long-term insurance contracts, premiums are recognized as revenue when the premiums are receivable.

b) Commission income and commission expenses

Commission income and expenses comprise commissions received from reinsurance companies and commissions paid to the agencies, respectively. Commission income and commission expenses are recognized based on accrual basis.

c) Interest income

Interest income is recognized in the statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Interest income presented in the statement of comprehensive income includes:

- interest on financial assets at amortized cost on an effective interest rate basis,
- interest on available-for-sale financial assets on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

d) Trading income, net

Net trading income includes gains and losses arising from disposals of financial assets at fair value through profit or loss and available-for-sale financial assets.

AvivaSA Emeklilik ve Hayat A.Ş.

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2. Accounting policies (continued)

e) Income generated from pension business

Fees received from pension business consist of fund management fees, management fee from contributions and entry fees. Fund management fees are the fees charged to the pension funds due to the hardware, software, personnel and accounting services provided to those pension funds. Management fee from contributions are deducted over the participants' contributions for the operational costs of the services rendered by the Company. The maximum percentage of such contributions is 2%. Entry fees are received by the Company from participants during the first entrance into the pension system and from the participants who have already entered into to the system but create a new account in another pension company. Revenue arising from asset management and other related services offered by the Company are recognized in the accounting period in which the service is rendered.

f) Claims, net

Claims are recognized in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The claims provision is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. Full provision is accounted for outstanding claims, including claim settlements reported at the period-end. Incurred but not reported claims are also provided for under the provision for outstanding claims, presented in insurance contract liabilities.

g) Cash and cash equivalents

In terms of presentation of cash flow statement, cash and cash equivalents comprise cash at hand, demand deposits and other short-term highly liquid investments with original maturities three months or less, that is readily convertible to cash and is subject to an insignificant risk of changes in value.

h) Property and equipment

The costs of the property and equipment purchased before January 1, 2006 are restated for the effects of inflation in TL unit current at December 31, 2005 pursuant to IAS 29. The property and equipment purchased subsequent to this date are recorded at their historical costs. Accordingly, property and equipment are carried at costs, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

	Useful Life
Furniture and fixtures	2-15 years
Other tangible assets	4-5 years
Leased assets	5 years
Leasehold improvements	5 years or term of rent contract

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price and value in use"), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

**Notes to the financial statements
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2. Accounting policies (continued)

i) Leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as financial leases while other leases are classified as operational leases.

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period. As at December 31, 2012, 2011 and January 1, 2011 details of the outstanding operational lease liability has been disclosed in Note 34.

j) Intangible assets

Intangible assets mainly comprise computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for 3 years from the acquisition date. Where an indication of impairment exists, the carrying amount of intangible assets is assessed and written down immediately to its recoverable amount.

k) Financial instruments

Recognition

The Company initially recognizes loans and advances on the date which they are originated. Regular way of purchase and sales of financial assets are recognized on the trade date which the Company commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to contractual provisions of the instrument.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss: Financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short term profit making.

Available-for-sale financial assets: Available-for-sale ("AFS") financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Assets backing long term insurance contracts are classified as available-for-sale financial assets in the accompanying financial statements.

**Notes to the financial statements
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2. Accounting policies (continued)

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. They arise when the Company provides money, goods and services directly to a debtor with no intention of trading the receivable.

Financial liability: Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Measurement

Financial instruments are measured initially at cost, including transaction costs, except for those classified at fair value through profit or loss.

Fair values of the financial assets (except for the other financial assets) are considered to approximate their respective carrying values.

Subsequent to initial recognition, financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair values, except that any equity instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the statement of comprehensive income in the year in which they arise. Unrealized gains and losses arising from changes in the fair values of available-for-sale financial assets are recognized in equity as "Fair value reserves from available-for-sale financial assets". When available-for-sale financial assets are sold or impaired, the accumulated fair value reserves under equity are transferred to the statement of comprehensive income as net realized gains/losses on financial assets.

All non-trading financial liabilities, loans and receivables are measured at amortized cost less impairment losses, if any. Amortized cost is calculated on the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the financial instruments.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

**Notes to the financial statements
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2. Accounting policies (continued)

Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset, is lost. This occurs when the rights are realized, expire or are surrendered. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as at the date the Company commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

l) Impairment of financial assets

Premium and other insurance receivables

In determining whether an impairment loss should be recorded in the statement of profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of premiums and other insurance receivables and individual premiums. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- (a) significant financial difficulty of the agency or debtor;
- (b) the Company granting to the agency, for economic or legal reasons relating to the agency's financial difficulty, a concession that the lender would not otherwise consider;
- (c) it is probable that the agency will declare bankruptcy or enter into other financial reorganization;
- (d) the disappearance of an active market for the related financial asset because of financial difficulties; or
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of agencies; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that there occurs an impairment loss on receivables, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the statement of profit or loss.

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2. Accounting policies (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

A write off is made when all or part of a premium receivable is deemed uncollectible or in the case of debt forgiveness. Such premium receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the amount of the insurance receivable. Subsequent recoveries of amounts previously written off are included in statement of comprehensive income.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial assets

If an available-for-sale investment security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the profit or loss. Reversals of impairment losses on debt instruments are reversed through the statement of profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss.

Reinsurance assets

If the reinsurance asset is impaired, the Company reduces its carrying amount accordingly and recognizes that impairment loss in the statement of comprehensive income. A reinsurance asset is impaired if, and only if:

- (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts and
- (b) that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums written within the coverage of insurance contracts are recognized as revenue under "written premiums" account.

Insurance contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The insurance contracts are classified into three main categories, depending on the duration.

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2. Accounting policies (continued)

Insurance contract

Insurance contracts are contracts that provide protection to the insured against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy according to IFRS 4.

Financial Guarantee Contract is a contract which requires that the issuer make specific payments to reimburse the holder for the loss incurred by the debtor when a specific breach of its obligation to pay, in accordance with the conditions, original or amended, of a debt instrument.

According to IFRS 4, financial risk is the risk posed by a possible future change in one or more of the following variables: an interest rate specified the price of a financial instrument, the price of a commodity trading, an exchange rate, a price index or interest, a credit rating or an index or other variable. If this is a nonfinancial variable, it is necessary that the variable is not specific to one of the parties to the contract.

According to this, insurance contracts include changes in market prices, as well as insurance risk.

Some policies (Saving Life Policies) of the Company include financial return in addition to insurance risk and carry financial risk, accordingly. However these contracts are defined as insurance contracts also and accounted in this context. Because there are no contracts with a stand-alone financial risk in the Company's portfolio and contracts do not carry significant insurance risk, mentioned policies are within the context of insurance contracts.

All policies in the Company portfolio are treated as insurance contracts.

Liability adequacy test

At each reporting date, an assessment is made of whether the recognized long-term business provisions are adequate, using current estimates of future cash flows. A liability adequacy test is required to ensure that losses do not remain unrecognised.

- a) the test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and
- b) if the best test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

**Notes to the financial statements
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2. Accounting policies (continued)

m) Deferred expenses

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance policies and pension contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Incremental direct costs resulting from and are essential to the pension contract transaction are subject to deferral. During the deferral of salaries, benefits and other costs, two criteria are evaluated and should be met; must have a direct role in acquisition activities and must be an essential activity resulting in the pension contract being issued. The Company management has identified that the following expenses met these criteria and thus are subjected to deferral:

- Stand-alone direct sales force sales teams and sales managers' commissions
- Bancassurance coaches' and sales managers' commissions
- Corporate sales teams commissions
- Third party, Akbank and agency commissions

Subsequent to initial recognition, DAC for life insurance are amortised over the expected life of the policies as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Deferral periods can be the average life-time of the pension contracts (which are longer than the lapse assumptions). The Company management has determined the period as 5 years and amount of DAC is subject to Liability Adequacy Test each year. The Company has applied straight line method for the amortisation of DAC which is 5 years pension business.

n) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement as recognition of revenue over the period of risk.

Unearned premium reserve is calculated on a daily basis for all policies in force as of statement of financial position date for unearned portions of premiums written, except for marine premiums issued before June 14, 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and end at 12:00 noon again. Unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis.

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2. Accounting policies (continued)

o) Provision for outstanding claims / IBNR

Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. A provision for claims incurred but not reported ("IBNR") is also established as described below. In the accompanying financial statements, provision for claims is presented by netting of amounts recoverable from reinsurers.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. In addition to that, the Company also reassesses its notified claims provision at each reporting date on each claim file basis.

p) Mathematical provisions

Companies operated in life and non-life branches allocate mathematical provisions, adequately according to actuarial principles, for personal accident policies and long-term life policies in order to meet its obligations to beneficiaries and insureds.

Mathematical provisions consist of actuarial mathematical provisions and profit share reserves, share of policyholders, determined from the income generated from mathematical provisions directed towards investment, that are calculated separately for each effective policy, in accordance with the technical principles in the tariffs.

Actuarial mathematical provisions are the difference between the premiums received for the risks assumed and cash value of liabilities to policyholders and beneficiaries. Actuarial mathematical provisions are provided for life insurance having more than one year of maturity, based on the formulas and elements of technical principles. Actuarial mathematical provisions are calculated on a prospective method by determining the difference between the cash value of the insurer's future liabilities and the present value of future premiums to be paid by the policyholder.

Profit share reserves consist of the income obtained from assets in relation to reserves provided for the obligations for the policyholders and beneficiaries in contracts for which the Company has committed to distribute profit shares; the guaranteed portion, not to exceed the technical interest income calculated based on the profit share distribution system prescribed in the approved technical principles of profit share and prior years' accumulated profit share reserves.

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2. Accounting policies (continued)

q) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more life insurance contracts issued by the Company, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Reinsurance liabilities are primarily reinsurance premiums payable to reinsurance contracts and are recognized as an expense when due.

Reinsurance cessions of the Company are made on risk premium basis with regard to death benefit and supplementary benefits. For group and individual life reinsurance surplus agreements, cessions are made to the treaty reinsurers according to shares of the surplus amounts in excess of the Company retention limits which are approved by the Turkish Treasury.

r) Pension business

The Company provides group and individual plans to customers.

The Company offers nineteen pension investment funds. These pension funds are in different risk profiles according to the portfolio composition of the funds. The participants choose from among different pension funds within legal limitations and determine allocation rates for contributions and additional contributions according to the contract provisions. The participants gain right for retirement provided that they remain in the pension system for at least 10 years, pay contributions for at least 10-years and complete 56 years of age.

Pension business receivables consist of 'receivable from pension investment funds for fund management fees', 'entry fee receivable from participants' and 'receivables from clearing house on behalf of the participants'. 'Receivable from pension investment funds for fund management fees' are the fees charged to the pension funds against for the administration of related pension funds which consist of fees which are not collected in the same day.

Pension business payables include participants' temporary accounts, and payables to pension agencies.

Pension business payables consist of payables to intermediaries in pension business, payables to custodians and payables to the Pension Monitoring Centre. The temporary accounts of participants consist of funds of participant which are yet not directed to investments and of payables due to sale of investments net of any entry fee payables by the participants and other deductions of participants who will either leave the pension business or who will transfer their funds to another insurance company. In case where collections from participants are performed or where cash is transferred to the Company subsequent to the sale of investments of the participants, the pension business payable account is credited. When the funds of participants are directed to investments or where the participants funds are transferred to another insurance company the account debited.

Income from Pension Operations

Fund management

The Company manages and administers pension investment funds. The financial statements of these entities are not included in these financial statements except when the Company controls the entity. Information about the Company's fund management is set out in Note 1.

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2. Accounting policies (continued)

Fund management income/expenses and deductions from fund management

Fund management charge, which is charged in return for the fund management services, representation and other services provided to pension funds, is recorded as income in the Company's accounts and is shared between the Company and the funds' portfolio manager according to the ratios specified in the agreement signed between the parties. The total charge is recorded under income generated from pension business and the part of charge which belongs to the funds' portfolio manager thereof, is recorded under pension expenses including commissions' accounts. Accounts mentioned above are disclosed in the income statements.

Income from the entry and deferred entry fees

This account is used for recording the entry fee that is received from the policyholder or the person acting on behalf of the policyholder who is entering the system for the first time or opening a new pension account. Deferred entry fees are able to be collected and recorded as income in the event of exiting, merging and transferring accounts within the context of conditions defined in the contract as of effective date of contract.

Entry fee is not charged in case of the fact that participant dies or becomes disabled or participant exit from pension system. Accounts mentioned above are disclosed in under income generated from pension business in the income statements.

Management fee

Management fee from contributions are deducted over the participants' contributions for the operational costs of the services rendered by the Company.

s) Employee benefits

Provision for Retirement Benefit Obligations

Provision for Retirement Benefit Obligations represents the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. As the maximum liability is revised semi-annually, the maximum amount of TL 3,034 effective from December 31, 2012 (December 31, 2011: 2,732, January 1, 2011: 2,517) has been taken into consideration during calculation of provision from employment termination benefits.

IAS 19 – *Employee benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal statistical assumptions used in the calculation of the total liability in the accompanying financial statements at December 31, 2012, 2011 and January 1, 2011 is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
	%	%	%
Discount rate	8.00	10.00	10.00
Expected rate of salary/limit increase	4.50	5.10	5.10

2. Accounting policies (continued)

Other benefits to employees

The Company has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with IAS 19 in the accompanying financial statements.

t) Provisions

A provision is recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

u) Taxes on income

Corporate taxes

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of the 25th day of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**Notes to the financial statements
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2. Accounting policies (continued)

Deferred taxes

Deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the accompanying financial statements if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

In case where gains/losses resulting from the subsequent measurement of the assets or liabilities are recognized in profit or loss, then the related current and/or deferred tax effects are also recognized in profit or loss. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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2. Accounting policies (continued)

v) Related parties

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

In the financial statements and related notes dated December 31, 2012, 2011 and January 1, 2011, the Company management, groups associated to Sabancı Holding and Aviva are defined as related parties.

w) Foreign currency transactions

Transactions are recorded in TL, which represents the Company's functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gains or losses.

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey's bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

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2. Accounting policies (continued)

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
	US Dollar / TL	Euro / TL	US Dollar / TL	Euro / TL	US Dollar / TL	Euro / TL
Bid Rates	1.7826	2.3517	1.8889	2.4438	1.5460	2.0491
Ask Rates	1.7939	2.3665	1.9008	2.4593	1.5558	2.0621

x) Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 3.

2.3 Changes in accounting policy and disclosures

In accordance with IFRS1, the Company used the same accounting policies in effect as of the end of December 31, 2012, its first IFRS reporting period, in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

The new standards, amendments and interpretations which are effective as at January 1, 2013 are as follows:

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This amendment did not have an impact on the financial position or performance of the Company.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Company.

Notes to the financial statements

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2. Accounting policies (continued)

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This amendment did not have an impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

IFRS10, IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard did not have an impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Company.

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2. Accounting policies (continued)

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after IFRS 13 is adopted. The impact of this standard on the financial statements of the Company is disclosed in Note 6.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IFRS 11 and IFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the financial statements of the Company.

Improvements to IFRSs

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Financial Reporting:

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

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2. Accounting policies (continued)

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

Amendments to IAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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2. Accounting policies (continued)

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010– 2012 Cycle and IFRSs – 2011– 2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective July 1, 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

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2. Accounting policies (continued)

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Company.

IFRS 14 - interim standard on regulatory deferral accounts

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

IFRS 1 First-time Adoption of International Financial Reporting Standards

An entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment is effective immediately.

2.4 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is executed depending on different assumptions. Mortality tables (CSO 1953-58, CSO 80 (Male-Female) approved by the Turkish Treasury are used to estimate the ultimate liability arising from life insurance policies. For estimating the risk of critical illness, the Critical Illness Rating Tables which are recommended by leader treaty reinsurer are used. The insurance contract liabilities as of the balance sheet date are disclosed in Note 21.

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2. Accounting policies (continued)

Estimate of future benefit payments and premiums arising from long-term insurance contracts

For estimation of future benefit and premium payments, four parameters have significant impacts:

- i) The lapse and surrender rates: These estimated rates are derived from past experience. In its estimation, the Company also takes into consideration the economic crisis or positive economic developments that will affect the rates either in a positive or a negative way.
- ii) Number of deaths: While estimating number of deaths in a year, the historical mortality experiences are used.
- iii) Future investment income: This estimate is based on current market returns as well as expectations about future economic and financial developments.
- iv) Average premium per insured: The assumption is based on historical trends in average premium amounts per insured and economical expectations that may affect the average premium amount.

Employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Company makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 2.2 and Note 18 are reviewed regularly.

Doubtful receivables provisions

Doubtful receivables provisions are related to the total amount of receivables assessed by the Company's management, to cover the future potential losses arising from the non-collectability of the receivables as of the balance sheet date, upon the current state of the economy. The total amount of the provision is determined according to the valuation results, performances, market credibility, collection performances following balance sheet date, and the restructuring on the receivables. The doubtful receivables provision as of the balance sheet date is disclosed in Note 8.

Deferred taxes

Deferred tax assets are recorded in the event of the fact that benefit for accumulated losses and temporary differences, on condition of obtaining taxable profit in future, is highly probable. It is necessary to evaluate and make predictions regarding taxable profits may occur in future while determining amount of deferred tax assets to be recorded (Note 17).

Provision for litigations

In determining the provision for litigations, the Management considers the probability of legal cases to be resulted against the Company and in case it is resulted against the Company considers its consequences based on the assessments of legal advisor. The Company management makes its best estimates using the available data provided (Note 16).

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3. Segment information

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the "IFRS 8 - Operating Segments" is disclosed in this part.

Numerical limits in "IFRS 8 - Operating Segments" is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment. Since the company has been only operating in Turkey, geographic segment information is not given.

The Company has four main business lines: life protection insurance, pensions, personal accident and other insurance (including life savings).

Life Protection

The Company's life insurance business is principally related to life protection insurance, including credit-linked life and non-credit-linked life policies, such as term life, return of premium, critical illness and unemployment.

- Credit-linked life insurance policies represent the largest group of products historically offered by the Company, both in terms of the number of valid insurance policies and by share of the gross written premiums in the total gross written premiums earned by the Company. The Company offers both long-term and short-term credit-linked life insurance. Long-term credit-linked life insurance includes insurance policies relating to mortgages or consumer loans for terms greater than one year. Short-term credit-linked life insurance includes yearly renewable insurance policies relating to consumer loans with accidental disability and optional unemployment covers check credit life and SME credit life.
- Non-credit-linked (term) life insurance policies provide life protection insurance for a certain period of time. The insurance covers the insured's life. In the event of death, the beneficiary receives the amount insured. Individual protection insurance may be entered into only with regular premium installments in amounts pre-determined for the entire contract period. The Company offers customizable life insurance riders including involuntary unemployment, critical illness, accidental death, and disability due to accident or sickness in its non-credit-linked product portfolio.

Life Savings

Live savings products are generally written for a contract period, during which the insured makes regular premium payments into a unit, in return for a unit-price guaranteed.

Personal Accident

Personal accident policies provide coverage against disability, death and medical expenses due to accident. The insurance covers the insured's life. In the event of a defined accident, the beneficiary receives the amount insured. Individual protection insurance may be entered into with a single premium or with regular premium installments in amounts pre-determined for the entire contract period.

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3. Segment information (continued)

Pension

The Company offers a number of individual and corporate pension plans within the framework of the private pension system in Turkey.

The segment information below is presented on the basis used by the chief operating decision-maker to evaluate performance. Premium production and technical profit are considered while determining operating segments. Technical profit is the profit that the Company derives from providing insurance coverage, exclusive of the income it derives from investments. The chief operating decision-maker reviews discrete financial information for each of its segments, including measures of operating results. The segments are managed primarily on the basis of their results, which are measured on a basis which is broadly consistent with the Summary of Significant Accounting Policies described in Note 2, with the exception of certain adjustments. Management considers that this information provides the most appropriate way of reviewing the performance of the business.

Since the Company operates principally in Turkey, geographic segment information is not presented.

Commission expenses: Represent commission expenses included in general administration expenses in the statement of profit or loss under IFRS which are attributable to life protection, life savings, pension and personal accident segments.

Net change in mathematical reserves: Net change in mathematical reserves are a component of net premiums earned as per the Company's segment reporting; whereas this is presented as part of total income after net premiums earned in the statement of profit or loss under IFRS.

Investment income: Represents investment income which cannot be attributed to the segment results of operations.

Other income / (expense): Adjustments included in other represent individually insignificant reclassifications.

Transactions between the business segments are on normal commercial terms and conditions.

The reconciliations of the statement of profit or loss are as follows:

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Notes to the financial statements for the year ended December 31, 2012 and 2011 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

3. Segment information (continued)

December 31, 2012	Classifications					Net change in mathematical reserves	Income statement
	Pension	Life protection	Life savings	Personal accident	Commission expenses		
Gross written premiums	-	134,084,793	31,117,672	32,341,198	-	-	197,543,663
Premium ceded to reinsurers	-	(8,518,222)	(690,314)	(56,533)	-	-	(9,265,069)
Premium written net of reinsurance	-	125,566,571	30,427,358	32,284,665	-	-	188,278,594
Net change in mathematical reserves	-	(19,431,916)	90,605,189	(2,733,762)	-	(72,273)	(10,171,107)
Net change in provision for unearned premiums reserves	-	(7,506,575)	69,230	29,550,903	-	(72,273)	178,107,487
Net premiums earned	-	98,628,080	121,101,777	-	-	-	71,101,000
Net change in mathematical reserves	-	(20,497,661)	(113,522,037)	(4,913,444)	-	-	(138,923,142)
Claim paid and change in outstanding claims	-	1,964,504	51,838	23,453	-	-	2,039,795
Commission income, net	-	(24,704,509)	(91,433)	(13,221,945)	902,541	-	(37,115,346)
Commission expense, net	-	(1,119,923)	-	(11,460)	-	27,900	(1,103,483)
Other income / (expense), net	-	-	-	-	-	-	-
Life and personal accident technical profit	-	54,280,491	7,540,145	11,427,507	-	-	73,248,143
Fund management charge	83,548,762	-	-	-	-	-	83,548,762
Management fee	32,023,291	-	-	-	-	-	32,023,291
Entry fee	5,148,350	-	-	-	-	-	5,148,350
Deferred fee	14,874,684	-	-	-	-	-	14,874,684
Pension income	135,595,087	-	-	-	-	-	135,595,087
Fund management charge paid to Akportfoy	(8,943,434)	-	-	-	-	-	(8,943,434)
Commission expense, net of DAC	(22,447,828)	-	-	-	166,991	(829,710)	(23,110,547)
Commission expense	(29,138,410)	-	-	-	166,991	(829,710)	(29,801,129)
DAC	6,690,562	-	-	-	-	-	6,690,562
Other income / (expense), net	(5,425,637)	-	-	-	-	(226,386)	(5,652,223)
Pension expenses including commission	(36,817,099)	-	-	-	166,991	(1,056,096)	(37,706,204)
Pension technical profit	98,777,988	-	-	-	-	-	98,777,988
Total technical profit	98,777,988	54,280,491	7,540,145	11,427,507	-	-	172,026,131
General and administrative expenses (1)	-	-	-	-	-	(127,367,315)	-
Net technical profit after overhead expenses	-	-	-	-	-	-	44,658,816
Foreign exchange gain / (loss), net	-	-	-	-	-	-	(2,816,956)
Investment and other income / (expense), net (2)	-	-	-	-	-	-	23,395,073
Net financial income	-	-	-	-	-	-	20,866,117
Profit before taxes	-	-	-	-	-	-	65,224,833
Income tax expense	-	-	-	-	-	-	(15,862,059)
Profit for the period	-	-	-	-	-	-	49,362,874

(1) Reconciling item amounting to TL 1 497 706 in general and administrative expenses is followed under commission expenses, other income / (expense), net and investment and other income / (expense), net account in above presentation.

(2) Reconciling item amounting to TL 1 528 643 in investment and other income / (expense), net is followed under other income / (expense), net and general and administrative expenses account in above presentation.

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3. Segment information (continued)

December 31, 2011	Pension	Life protection	Life savings	Personal accident	Total	Classifications		
						Commission expenses	Other income / (expenses)	Net change in mathematical reserves
Gross written premiums	-	63,168,920	38,462,907	26,784,037	148,415,864	-	-	148,415,864
Premium ceded to reinsurers	-	(6,182,822)	(721,542)	(47,242)	(6,951,606)	-	-	(6,951,606)
Premium written net of reinsurance	-	76,986,098	37,741,365	26,736,795	141,464,258	-	-	141,464,258
Net change in mathematical reserves	-	(5,228,030)	71,547,629	-	66,319,599	-	(28,530)	856,527
Net change in provision for unearned premiums reserves	-	(1,328,540)	(152,643)	2,337,710	856,527	-	-	856,527
Net premiums earned	-	70,429,527	109,136,351	29,074,506	208,640,384	-	(28,530)	142,320,785
Net change in mathematical reserves	-	(14,350,200)	(103,815,266)	(4,988,751)	(123,154,217)	-	-	(123,154,217)
Claim paid and change in outstanding claims	-	1,222,003	54,821	18,189	1,295,013	-	-	1,295,013
Commission income, net	-	(12,409,242)	104,937	(12,641,582)	(24,945,887)	463,182	-	(24,482,705)
Commission expense, net	-	371,361	-	(10,771)	360,590	-	(25,480)	335,110
Other income / (expense), net	-	-	-	-	-	-	-	-
Life and personal accident technical profit	-	45,263,449	5,480,843	11,451,591	62,195,883	-	-	66,291,069
Fund management charge	66,877,506	-	-	-	66,877,506	-	(3,113)	66,874,393
Management fee	28,292,087	-	-	-	28,292,087	-	-	28,292,087
Entry fee	5,175,904	-	-	-	5,175,904	-	-	5,175,904
Deferred fee	10,666,199	-	-	-	10,666,199	-	-	10,666,199
Pension income	111,011,696	-	-	-	111,011,696	-	(3,113)	111,008,583
Fund management charge paid to Akportfoy	(9,380,903)	-	-	-	(9,380,903)	-	-	(9,380,903)
Commission expense, net of DAC	(18,677,649)	-	-	-	(18,677,649)	420,000	-	(18,257,649)
Commission expense	(30,969,411)	-	-	-	(30,969,411)	420,000	-	(30,549,411)
DAC	12,291,762	-	-	-	12,291,762	-	-	12,291,762
Other income / (expense), net	(4,421,931)	-	-	-	(4,421,931)	-	(38,516)	(4,460,447)
Pension expenses including commission	(32,480,483)	-	-	-	(32,480,483)	420,000	-	(32,060,483)
Pension technical profit	78,531,213	-	-	-	78,531,213	-	-	78,531,213
Total technical profit	78,531,213	45,263,449	5,480,843	11,451,591	140,727,096	-	-	140,727,096
General and administrative expenses (1)	-	-	-	-	-	(109,376,995)	-	(109,376,995)
Net technical profit after overhead expenses	-	-	-	-	-	-	-	32,348,101
Foreign exchange gain / (loss), net	-	-	-	-	-	-	-	5,004,810
Investment and other income / (expense), net (2)	-	-	-	-	-	-	-	24,752,417
Net financial income	-	-	-	-	-	-	-	29,757,227
Profit before taxes	-	-	-	-	-	-	-	62,105,328
Income tax expense	-	-	-	-	-	-	-	(10,816,785)
Profit for the period	-	-	-	-	-	-	-	51,288,543

(1) Reconciling item amounting to TL 2,042,417 in general and administrative expenses is followed under commission expenses, other income / (expense), net and investment and other income / (expense), net account in above presentation.

(2) Reconciling item amounting to TL 1,254,874 in investment and other income / (expense), net is followed under other income / (expense), net and general and administrative expenses account in above presentation.

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4. Insurance and financial risk management

Risk and internal control management and risk factors

Risk and Internal Control Management handles its operations within the framework of "Regulation on Internal Systems of Insurance and Reinsurance Companies as well as of Pension Companies".

Risk Management and Internal Control operations aim to provide Board of Directors with assurance with respect to:

- adherence to legal liabilities and to corporate Risk Management Policies and Standards,
- identification of all incurred structural risks and establishment of risk acceptance criteria,
- designing and implementation of internal control mechanisms and actions compatible with such risks, and reporting of such risks in a transparent way.

Risk management is a fundamental approach which ensures protection against situations which might lead to inconvenient consequences in the process of achievement of the Company's objectives. Interaction of management concept with decision-making processes pursuing a risk-based approach ensures that available resources are utilized in an efficient way and, thus, enables us to meet expectations of all stakeholders, including our customers and shareholders, at a maximum level. In this approach called triple-defense, the sharing of responsibility and empowerment is reflected in the table below:

	Responsibilities	Powers and Duties
1 st Line of Defense	Company Management	Identification, evaluation, effective management and reporting of risks, and achievement of strict observance of Corporate Policies. Setting-up and continued implementation of an effective internal control system.
2 nd Line of Defense	Risk Management and Internal Control, Legal Affairs	Provision of support to Company management with respect to identification, evaluation, management and reporting of risks, supervision for adherence to, as well as for any diversions from, Corporate Policies, and, in sum, provision of support for good functionality of AvivaSA Risk Management Model. Giving assurance that Company assets are well protected through Internal Control structure and that its operations are handled in an efficient and effective way and in strict compliance with the governing Laws and other applicable legislative acts, Company's internal policies and rules, as well as with insurance business practices and that accounting and safe functioning and integrity of financial reporting system is achieved and that information are acquired in a timely manner.
3 rd Line of Defense	Internal Audit	Providing Board of Directors with assurance as to effectiveness of Company's risk management and internal control platform through audits conducted in an objective and independent way under applicable legislation.

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4. Insurance and financial risk management (continued)

Risk and internal control management and risk factors (continued)

Risk Management Department is in charge of identifying, measuring and monitoring of risks facing AvivaSA and of taking actions set up to keep risks at such limits as defined within the framework of risk appetite, and of reporting thereof. Moreover, it is also responsible, as a unit in charge of harmonization, for implementation of the Law 5549 on Prevention of Laundering Proceeds of Crime, as well as of other applicable legislative acts.

Risk and Internal Control Group Management chairs Regulatory Committee and thus monitors and guides regulatory actions within the Company. This committee is composed of relevant persons from every function of the Company. This Committee reports to Executive Committee.

Risk management activities are carried out by Executive Committee, a body set up within Board of Directors to handle executive operations of the Company, in coordination with Risk and Internal Control Directorate. Executive Committee evaluates risk activities on a monthly basis through Operational Risk Committee, an internal body represented by its own members, and ensures that results thereof are reported.

Risk and Internal Control Management reports to Board of Directors, Board of Auditors and Board of Directors' Risk Committee in accordance with the data generated from Operational Risk Committee.

AvivaSA Internal Control Unit, a body set up within Risk and Internal Control Management, aims to contribute under the following headings while carrying out its functions:

- Creation of a strong and effective internal control awareness within AvivaSA,
- Continuous improvement of internal control processes and practices with optimal effectiveness and cost efficiency,
- Sharing of best practices relating to internal control and supervision within AvivaSA.

Internal Control Unit works in compliance with its own governance manual and implementation methodology for achievement of an effective internal control platform, and reports to General Manager.

Internal control activities are among fundamental responsibilities of corporate functions. Company Management, which forms the first line of defense, is responsible for protection of Company assets within the Company in relation to its own processes and for conduct of operations in an effective and efficient way and strict compliance with the Laws and other applicable legislative acts and Company's internal policies and rules, as well as with insurance business practices, and for identifying internal control points which would ensure reliability and integrity of accounting and financial reporting system and timely acquisition of information, as well as for getting such controls work in an effective way. Primary scope of Internal Control Unit operations is to evaluate adequacy and effectiveness of internal control measures and processes put in action in the first line of defense of the Company and to report results thereof to upper management. It is individual functions that carry out controls in a regular way and that take necessary corrective actions; these are monitored by Risk Management and Internal Control and are audited by Internal Audit.

Reports containing aspects of risk monitoring, evaluation and management activities, as well as internal control activities, are presented to Board of Directors' Risk and Audit Committees at regular intervals.

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4. Insurance and financial risk management (continued)

Risk and internal control management and risk factors (continued)

Fundamental purpose of risk management and internal control audit activities done by Internal Audit, is to ascertain whether risk and internal control management performs its duties undertaken by itself as the second line of defense or not and to ensure that necessary corrections are made accordingly.

Risk Management Policies

Fundamental principles and standards in relation to risk management system and processes are identified in Risk Management Policies. Policies are approved by Board of Directors and, as such, any amendments thereto are subject to prior approval of Board of Directors.

Board of Directors is ultimately responsible for identifying risk management principles and standards applicable Company-wide and for updating risk policies depending on changes in operating conditions and for establishing effective risk management system and processes and for getting them work properly and for monitoring Company's risk level and for establishing relevant risk limits, as well as for controlling the situation vis-a-vis such limits and for implementing necessary precautions with respect thereto.

The Company risk management model is composed of six policies as well as twenty business standards built upon such policies. The Company is aware of importance of coherent and controlled business processes in risk management process. For this reason, each policy is supported by business standards designed to provide maximal effectiveness in relevant business processes. Majority of business standards is under responsibility of the first line of defense. Within the Company, there is a responsible person in charge of each standard. Business standards are reviewed at least once in a year.

Risk model in implementation is indicative of structural risks of the company doing business in life and pension sector and of data specific to such risks, of risk factors and of up to which limits such risks might be accepted by the company, as well as of how they would be managed. Risk management policies are practical guidance which describes how the Company could manage its financial, operational and nominal loss risks with highest effectiveness.

Risk measurement results and Company's risk appetite are taken as fundamental components in identification of risk limits. Apart from risk limits, indicators of developments and incidents likely to have negative impact on risk level are identified as early signal and are, as such, monitored.

Primary risks facing the Company are Insurance Risk, Market Risk and Credit Risk.

Insurance Risk

This denotes the likelihood of premiums collected by the Company turning out to be insufficient to cover its indemnity liabilities and profit share pay-outs, as well as a situation where the pay-outs for incurred losses and indemnities turn out to be higher than expected. Primary analyses regarding Insurance Risk management and monitoring processes are as follows:

- Analysis of profitability on product basis
- Claims ratios (Claim-premium ratio)
- Cancellation, negotiation, death amounts and rates
- NBC (New Business Contributions), PVNBP (Present value of new business premiums), EEV (European Embedded Value)

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4. Insurance and financial risk management (continued)

The Company makes such analyses in order to manage claims/premium balance well, to identify its liabilities in an accurate way and to make sure whether provisions enough to cover all such liabilities are available or not. Insurance risk facing the Company on branch basis is as follows:

a) Life Branch

Short Term

Life Insurance (TL, USD, EURO),
Protection Insurance (USD),
Critical illness (USD),

In mentioned types of insurance, both individual and group contracts are executed.

Long Term

Protection Insurances (TL, USD),
Credit Life (TL, USD),
Long Term Savings (TL, USD, EURO),

In mentioned types of insurance, both individual and group contracts are executed.

b) Personal Accident (Non-Life) Branch

Accidental death insurances are offered as individual or group contracts.

Risks for life and accident insurances can be summed up as mortality rates, illness rates, continuity risk and investment risk.

The most important components in managing all these risks are reinsurance agreements and underwriting. Reserves set apart for covering minimum interest guaranteed in certain life insurance contracts are invested in risk-free treasury bills and government bonds for further gains.

Interest rate guaranteed for Long-term Saving policies is 6% for TL policies, while 2% for USD policies. Interest rate guaranteed for other policies is 9% for TL policies, while 2.5% for foreign currency policies.

The ratio of profit shares distributed for 2012 and 2011 are given in the table below:

	December 31, 2012 Profit shares	December 31, 2011 Profit shares
TL (unit-based)	8.33%	7.97%
USD (unit-based)	6.33%	6.56%
TL (other)	9.51%	9.10%
USD (other)	6.48%	6.35%
EURO (other)	4.79%	4.61%

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4. Insurance and financial risk management (continued)

c) Pension (Retirement) Branch

Individual retirement savings plans are available. Investment risk on pension contracts belongs to participants themselves. Participants are able to invest their funds for further gains according to their own investment preferences. And the risk facing the Company in this branch is the continuity risk.

Life insurance risk

Life insurance risk in the Company arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

The Company chooses to take measured amounts of life insurance risk provided that the relevant business has the appropriate core skills to assess and price the risk and adequate returns are available.

The underlying risk profile of life insurance risks, primarily persistency, mortality and expense risk, has remained stable during 2013.

Persistency risk remains significant and continues to have a volatile outlook with underlying performance linked to some degree to economic conditions.

The Company has continued to grow its life protection business, and to utilise reinsurance to reduce exposure to potential losses. More generally, life insurance risks are believed to provide a significant diversification against other risks in the portfolio.

Life insurance risks are modelled within the economic capital model based on Solvency 2 Standard Formula. The assumption and management of life insurance risks is governed by the business standards covering underwriting, pricing, product design and management, in-force management, claims handling, and reinsurance. The individual life insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Company selects reinsurers according to the financial strength and credit rating where the risk ceded is within credit risk appetite.
- Persistency risk is managed through frequent monitoring of company experience, and benchmarked against local market information. Generally, persistency risk arises from customers lapsing their policies earlier than has been assumed. Where possible the financial impact of lapses is reduced through appropriate product design such as the applying surrender penalties. The Company also implements specific initiatives to improve retention of policies which may otherwise lapse.
- Expense risk is primarily managed through the assessment of business unit profitability and frequent monitoring of expense levels.

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4. Insurance and financial risk management (continued)

Insurance Risk Management

The purpose in managing risks arising from insurance contracts and policies designed to reduce such risks:

The insurance risk is a risk transferred by insured to insurer, apart from financial risk. Transferred risk is about an uncertain future incident. Uncertainty arises from lack of information about whether the incident is going to happen or not or about its size or timing.

The ratio of premiums collected by insurer to claim paid to insured denotes a Company's capacity to meet insurance risk.

As at December 31, 2012, 2011 and January 1, 2011, Company's claim/premium ratio related branches are given below. It is observed that premiums collected provide a capacity to meet any incurred claims:

Net claims ratio	December 31, 2012	December 31, 2011	January 1, 2011
Life	12%	19%	23%
Personal Accident (Casualty)	13%	17%	21%

As at December 31, 2012, 2011 and January 1, 2011 that part of total risk which is ceded to reinsurers is given below on a risk coverage basis.

December 31, 2012					
Life					
Natural death	Accidental death	Accidental disability	Sickness disability	Dangerous sickness	Public Transport
%2.81	%0.52	%1.75	%1.32	%2.94	%0.07

Personal Accident			
Natural death	Accidental death	Accidental disability	Accidental treatment cost
-	%0.15	%0.21	-

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4. Insurance and financial risk management (continued)

Insurance Risk Management (continued)

December 31, 2011					
Life					
Natural death	Accidental death	Accidental disability	Sickness disability	Dangerous sickness	Public Transport
%2.68	%0.58	%1.95	%1.60	%1.64	%0.02
Personal Accident					
Natural death	Accidental death	Accidental disability	Accidental treatment cost		
-	%0.13	%0.18	-		
January 1, 2011					
Life					
Natural death	Accidental death	Accidental disability	Sickness disability	Dangerous sickness	Public Transport
%2.86	%0.68	%2.11	%1.82	%0.73	%0.01
Personal Accident					
Natural death	Accidental death	Accidental disability	Accidental treatment cost		
-	%0.04	%0.07	-		

Sensitivity to Insurance Risk

Company's policy creation strategy is based on optimal distribution of risk to reinsurance companies according to policy type, as well as to kind and size of risk taken.

At December 31, 2012, 2011 and January 1, 2011, there are nine proportional reinsurance agreements. As a result of such reinsurance agreements, the Company has determined the retention amounts for life policies written in 2012 as TL 150,000, USD 100,000 and EUR 75,000 for death, accident and disability additional coverages. (December 31, 2011 – TL 150,000, USD 100,000 and EUR 75,000; January 1, 2011 – TL 130,000, USD 100,000 and EUR 75,000). And for dangerous Sickness Additional Coverage, a 50% retention is applied up to said limits (December 31, 2011 – 50%, January 1, 2011 – 50%). Involuntary Unemployment Additional Coverage is entirely ceded to reinsurer.

Outstanding claims are reviewed and updated periodically by claims department.

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4. Insurance and financial risk management (continued)

Sensitivity to Insurance Risk (continued)

The Company executes insurance contracts in life insurance and personal accident branches. Accordingly, in such insurance contracts, insurance risk concentration according to nature of the subject-matter of insurance are summarized below in gross and net figures (net of reinsurance):

December 31, 2012	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	23,743,593,952	1,187,729,863	22,555,864,089
Personal Accident	27,725,569,588	99,467,067	27,626,102,521
Total	51,469,163,540	1,287,196,930	50,181,966,610

December 31, 2011	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	16,674,182,631	848,477,987	15,825,704,644
Personal Accident	28,451,826,433	89,180,312	28,362,646,121
Total	45,126,009,064	937,658,299	44,188,350,765

January 1, 2011	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	14,486,876,357	779,346,387	13,707,529,970
Personal Accident	33,526,346,702	34,756,703	33,491,589,999
Total	48,013,223,059	814,103,090	47,199,119,969

Company's gross outstanding claims at December 31, 2012, 2011 and January 1, 2011 are as follows:

Outstanding Claims	December 31, 2012	December 31, 2011	January 1, 2011
Life	23,415,322	17,052,101	15,842,635
Personal Accident	5,998,737	4,979,423	3,848,313
Total	29,414,059	22,031,524	19,690,948

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4. Insurance and financial risk management (continued)

Financial Risk Management

Primary financial instruments used by the Company are cash, time deposits, government bonds, treasury bills, private sector bonds and Eurobonds. As at December 31, 2012, 2011 and January 1, 2011, all of financial assets booked at their fair values. The Company faces various financial risks in connection with financial instruments it is using as well as with its insurance contract liabilities. Risks arising from instruments so used are market risk, liquidity risk and credit risk. Such risks are managed by Company management as explained below.

a) Market Risk

This denotes the risk of loss which might occur in value of financial assets held by the Company owing to fluctuations in interest risk, share prices and currency risk.

Company's own funds and assets backing long term insurance contracts are managed within the framework of investment strategy set by Board of Directors. The market risk is monitored in the weekly meetings of Executive Committee and investment committee.

In the process of market risk monitoring, liquidity risk is monitored through the cash flow projections prepared.

i) Foreign Currency Risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated receivables and payables.

At December 31, 2012, on condition that all variables remain constant, effect of a 10% appreciation/ devaluation of Eurobonds against TL on owners' equity is TL 152,073.

December 31, 2012:

Liabilities and assets in foreign currency Exchange rate variation (*)	Effect on income/expense		
	USD	EUR	GBP
10%	1,810,134	151,252	79,945
-10%	(1,810,134)	(151,252)	(79,945)

As at December 31, 2011, on condition that all variables remain constant, effect of a 10% appreciation/ devaluation of Eurobonds against TL on owners' equity is TL 145,189.

December 31, 2011:

Liabilities and assets in foreign currency Exchange rate variation (*)	Income/expense effect		
	USD	EUR	GBP
10%	2,726,503	132,511	116,912
-10%	(2,726,503)	(132,511)	(116,912)

(*) All amounts are presented in TL.

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4. Insurance and financial risk management (continued)

a) Market Risk (continued)

ii) Interest Risk

The Company's sensitivity to interest rate risk is related to the change in the fair values or expected cash inflows of the financial assets due to the fluctuations in the interest rates. The Company closely monitors interest rate risk by monitoring market conditions and appropriate valuation methods.

In the following table, on condition that all other variables remain constant, it is disclosed that the effect on income statement of a 5-point increase/(decrease) in market interest rates for TL securities, as well as of a 1-point increase/(decrease) for USD and EURO securities. The underlying logic used in this projection is that a discount interest rate applicable for each year with effect of the stresses set in different rates by respective years is found using the upward-downward variation which might occur in average market interest rates and that market value of securities are then discounted at such rate in connection with their respective maturity period.

December 31, 2012:

Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(11,211,892)	(2,678,728)	(61,718)
-5%	10,324,779	2,224,698	47,804
Trading financial assets (company)			
Market interest increase / (decrease) (**)	TL	USD (*)	EUR (*)
5%	(700,467)	-	-
-5%	765,939	-	-
Available for sale financial assets			
Market interest increase / (decrease) (**)	TL	USD (*)	EUR (*)
5% Asset backing insurance contracts	(6,763,875)	(2,603,073)	(61,718)
5% Available for sale financial assets (Company)	(3,747,550)	(75,654)	-
-5% Asset backing insurance contracts	6,260,996	2,158,396	47,804
-5% Available for sale financial assets (Company)	3,297,844	66,302	-

(*) Interest risk computed according to a 1% point variation for USD and EUR portfolio.

(**) All amounts are shown in relevant currency.

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4. Insurance and financial risk management (continued)

a) Market Risk (continued)

December 31, 2011:

Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(12,728,342)	(2,773,410)	(149,745)
-5%	15,218,745	2,411,017	126,330
Trading financial assets (company)			
Market interest increase / (decrease) (**)	TL	USD (*)	EUR (*)
5%	(1,152,772)	-	-
-5%	1,353,905	-	-
Available for sale financial assets			
Market interest increase / (decrease) (**)	TL	USD (*)	EUR (*)
5% Asset backing insurance contracts	(11,291,510)	(2,628,557)	(149,745)
5% Available for sale financial assets (Company)	(284,060)	(144,853)	-
-5% Asset backing insurance contracts	13,592,980	2,298,696	126,330
-5% Available for sale financial assets (Company)	271,860	112,322	-

(*) Interest risk computed according to a 1% point variation for USD and EUR portfolio.

(**) All amounts are shown in relevant currency.

b) Credit risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

Company's credit risk management process is primarily is evaluated in the stage of determining of reinsurance companies. Reinsurance placements are covered by reinsurers whose credibility is checked and agreements made in this regard are approved by Board of Directors. Total credit risk of the Company as of December 31, 2012, 2011 and January 1, 2011 are TL 729,639,128, TL 708,685,201, TL 672,683,265, respectively.

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4. Insurance and financial risk management (continued)

c) Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfil its current and possible liabilities by allocating its funds.

As at December 31, 2012, table of liquidity risk is as follows:

December 31, 2012	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Total undiscounted amount
Financial assets								
Cash and cash equivalents	299,185,453	256,042,244	18,663,553	24,479,656	-	-	-	299,185,453
Financial assets	409,546,878	4,540,264	89,538,488	34,301,328	185,097,916	74,296,206	-	387,774,202
- Available for sale financial investments	30,929,539	-	-	-	8,983,451	21,305,348	-	30,288,799
- Financial assets at fair value through profit or loss	16,389,210	-	16,389,210	-	-	-	-	16,389,210
- Available for sale asset backing financial investments, policyholders portfolio	362,228,129	4,540,264	73,149,278	34,301,328	176,114,465	52,990,858	-	341,096,193
Premium and other insurance receivables	10,252,839	-	5,331,194	4,921,645	-	-	-	10,252,839
Pension business receivables	10,653,958	6,789,257	1,104,025	1,344,395	1,416,281	-	-	10,653,958
Other financial assets	849,457	-	-	-	-	-	849,457	849,457
Total assets	730,488,585	267,371,765	114,637,260	65,047,024	186,514,197	74,296,206	849,457	708,715,909
Financial liabilities								
Financial liabilities	1,189,477	1,189,477	-	-	-	-	-	1,189,477
Due to insurance and reinsurance companies	5,106,963	34,501	4,852,737	219,725	-	-	-	5,106,963
Pension business payables	72,461,918	65,326,357	7,135,561	-	-	-	-	72,461,918
Other payables and liabilities	19,490,484	6,718,102	9,025,333	-	3,747,049	-	-	19,490,484
Total liabilities	98,248,842	73,268,437	21,013,631	219,725	3,747,049	-	-	98,248,842
Liquidity surplus/(deficit)	632,239,743	194,103,328	93,623,629	64,827,299	182,767,148	74,296,206	849,457	610,467,067

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4. Insurance and financial risk management (continued)

c) Liquidity risk (continued)

As at December 31, 2011, table of liquidity risk is as follows:

December 31, 2011	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Total undiscounted amount
Financial assets								
Cash and cash equivalents	268,144,618	82,058,945	54,820,979	131,264,693	-	-	-	268,144,617
Financial assets	423,394,806	4,229,200	25,126,390	86,198,667	221,880,104	79,368,865	-	416,803,226
- Available for sale financial investments	14,438,067	-	-	-	11,266,277	3,206,667	-	14,472,944
- Financial assets at fair value through profit or loss	14,528,617	-	-	-	14,528,617	-	-	14,528,617
- Available for sale asset backing financial investments, policyholders portfolio	394,428,122	4,229,200	25,126,390	86,198,667	196,085,210	76,162,198	-	387,801,665
Premium and other insurance receivables	8,595,187	-	4,771,616	3,743,761	79,810	-	-	8,595,187
Pension business receivables	8,550,590	5,406,333	988,905	1,107,100	1,048,251	-	-	8,550,589
Other financial assets	857,460	-	-	-	-	-	857,460	857,460
Total assets	709,542,661	91,694,478	85,707,890	222,314,221	223,008,165	79,368,865	857,460	702,951,079
Financial liabilities								
Financial liabilities	2,280,000	2,280,000	-	-	-	-	-	2,280,000
Due to insurance and reinsurance companies	4,802,190	58,601	4,616,159	127,430	-	-	-	4,802,190
Pension business payables	53,615,139	50,199,409	3,415,731	-	-	-	-	53,615,140
Other payables and liabilities	25,456,521	9,115,406	11,800,257	-	4,540,858	-	-	25,456,521
Total liabilities	86,153,850	61,653,416	19,832,147	127,430	4,540,858	-	-	86,153,851
Liquidity surplus/(deficit)	623,388,811	30,041,062	65,875,743	222,186,791	218,467,307	79,368,865	857,460	616,797,228

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4. Insurance and financial risk management (continued)

As at January 1, 2011, table of liquidity risk is as follows:

January 1, 2011	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Total undiscounted amount
Financial assets								
Cash and cash equivalents	165,589,340	84,239,917	67,889,136	13,460,287	-	-	-	165,589,340
Financial assets	493,710,142	-	52,671,038	38,800,373	299,626,092	72,104,859	-	463,202,362
- Available for sale financial investments	51,546,630	-	17,490,898	10,029,345	11,962,329	9,263,498	-	48,746,070
- Financial assets at fair value through profit or loss	44,075,301	-	25,308,527	44,928	18,721,847	-	-	44,075,302
- Available for sale asset backing financial investments, policyholders portfolio	398,088,211	-	9,871,613	28,726,100	268,941,916	62,841,361	-	370,380,990
Premium and other insurance receivables	6,861,075	39,160	3,590,535	3,231,380	-	-	-	6,861,075
Pension business receivables	6,522,708	4,994,383	658,770	769,555	100,000	-	-	6,522,708
Other financial assets	859,603	-	-	-	-	-	859,603	859,603
Total assets	673,542,868	89,273,460	124,809,479	56,261,595	299,726,092	72,104,859	859,603	643,035,088
Financial liabilities								
Financial liabilities	3,102,248	3,102,248	-	-	-	-	-	3,102,248
Due to insurance and reinsurance companies	3,225,226	65,724	3,112,582	46,920	-	-	-	3,225,226
Pension business payables	43,944,969	40,677,883	3,267,086	-	-	-	-	43,944,969
Other payables and liabilities	17,805,225	7,191,536	6,075,057	-	4,538,632	-	-	17,805,225
Total liabilities	68,077,668	51,037,391	12,454,725	46,920	4,538,632	-	-	68,077,668
Liquidity surplus/(deficit)	605,465,200	38,236,069	112,354,754	56,214,675	295,187,460	72,104,859	859,603	574,957,420

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4. Insurance and financial risk management (continued)

c) Liquidity risk (continued)

Fair value of the financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction in accordance with market conditions.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

Fair Value Hierarchy

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. Fair value measurements are performed in accordance with the following fair value measurement hierarchy.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	December 31, 2012	Level 1	Level2	Level 3
Financial assets at fair value through profit or loss	16,389,210	16,389,210	-	-
Total available for sale financial assets	393,157,668	393,157,668	-	-
Total	409,546,878	409,546,878	-	-

	December 31, 2011	Level 1	Level2	Level 3
Financial assets at fair value through profit or loss	14,528,617	14,528,617	-	-
Total available for sale financial assets	408,866,189	408,866,189	-	-
Total	423,394,806	423,394,806	-	-

	January 1, 2011	Level 1	Level2	Level 3
Financial assets at fair value through profit or loss	44,075,301	44,075,301	-	-
Total available for sale financial assets	449,634,841	449,634,841	-	-
Total	493,710,142	493,710,142	-	-

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4. Insurance and financial risk management (continued)

d) Operational Risks

Risks other than insurance risk, credit risk and market risk likely to cause a monetary or reputation loss on the part of the Company are defined as operational risks. The Company has classified basic risks which might face in its Risk catalogue. Risk catalogue is updated according to undefined risks which might be incurred due to the changes in the operating environment or business processes.

Capital Management

The Company's capital adequacy is calculated within the framework of "Regulation on Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated January 19, 2008 and numbered 26761, in the semi-annual periods. The main purpose of the Company's capital management is to maximize the contribution provided made to its shareholders in order to create and maintain a strong capital structure to continue the operations of the Company.

As of December 31, 2012, 2011 and January 1, 2011, the Company has a sufficient amount of equity for losses which may arise from current liabilities and potential risks of the Company. As of December 31, 2012, 2011 and January 1, 2011, the required capital reserves (calculated in accordance with the above-mentioned local regulation) and current capital adequacy analysis is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Total regulatory capital	174,835,125	155,225,364	125,898,191
Required minimum capital reserves	59,979,303	49,449,798	47,506,378
Capital surplus	114,855,822	105,775,566	78,391,813
Capital adequacy table	December 31, 2012	December 31, 2011	January 1, 2011
I.Method			
Required capital for life branches	42,164,871	35,359,000	33,663,382
Required capital for non- life branches	5,810,869	4,821,127	5,572,104
Required capital for pension branch	12,003,563	9,269,671	8,270,892
Total required capital	59,979,303	49,449,798	47,506,378
II.Method			
Required capital for asset risk	18,798,064	11,037,136	8,256,068
Required capital for reinsurance risk	724,161	490,334	441,854
Required capital for excessive premium increase risk	8,448,228	-	-
Required capital for outstanding claims risk	674,181	520,262	477,131
Required capital for underwriting risk	9,413,930	7,073,213	7,417,593
Required capital for exchange rate risk	1,411,080	2,056,577	1,771,791
Total required capital	39,469,644	21,177,522	18,364,437
Capital (*)	174,835,125	155,225,364	125,898,191
Required capital (**)	59,979,303	49,449,798	47,506,378
Capital adequacy result	114,855,822	105,775,566	78,391,813

(*) The equalization reserve amount is included in the amount of capital

(**) Regarding to Article 10 related to the Insurance and Reinsurance Companies and Pension Funds Regulation on Measurement and Assessment of Capital Adequacy, the Company has made a calculation of minimum required capital as of December 31, 2012, 2011 and January 1, 2011.

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5. Cash and cash equivalents

As at December 31, 2012, 2011 and January 1, 2011, cash and cash equivalents are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash on hand	1,844	830	498
Bank deposits and checks issued	235,212,090	214,427,517	119,459,436
Other cash and cash equivalents (*)	63,971,519	53,716,271	46,129,406
Total cash and cash equivalents	299,185,453	268,144,618	165,589,340
Interest accruals on cash at banks	(597,333)	(512,265)	(798,229)
Time deposits with maturities more than 3 months	(24,373,499)	(110,403,179)	(13,000,000)
Cash and cash equivalents per statement of cash flow	274,214,621	157,229,174	151,791,111

(*) Other cash and cash equivalents consist of credit card receivables blocked by bank for 1 to 31 days approved as of balance sheet dates.

As at December 31, 2012, 2011 and January 1, 2011, the blockage on cash and cash equivalents of the Company's own portfolio in favour of Undersecretariat of Treasury has been disclosed in Note 32.

Interest rates of time deposits are stated below:

	December 31, 2012	December 31, 2011	January 1, 2011
	Interest Rate (%)	Interest Rate (%)	Interest Rate (%)
USD	0.29	0.43	0.50
TL	8.44	11.25	8.43

As at December 31, 2012, the maturity of TL time deposits are between January 2 – April 19, 2013 and the maturity of USD time deposits are between January 7– September 5, 2013 (December 31, 2011: The maturity of TL time deposits are between January 2, 2012 – December 27, 2012 and the maturity of USD time deposits are between January 2, 2012 – February 19, 2012; January 1, 2011: The maturity of TL time deposits are between January 3, 2011 – June 24, 2011 and the maturity of USD time deposits are January 3, 2011).

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5. Cash and cash equivalents (continued)

As at December 31, 2012, 2011 and January 1, 2011 detail of cash and cash equivalents are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Foreign currency denominated			
- demand deposits	142,983	145,298	27,893
- time deposits	6,791,229	10,777,527	414,334
- other cash and cash equivalents	46,634	45,185	20,895
- cash on hands	1,268	77	71
Turkish Lira			
- demand deposits	4,612,426	7,362,824	4,447,603
- time deposits	223,665,452	196,141,868	114,569,606
- other cash and cash equivalents	63,924,885	53,671,086	46,108,511
- cash on hands	576	753	427
Total cash and cash equivalents	299,185,453	268,144,618	165,589,340

6. Financial assets

As at December 31, 2012, 2011 and January 1, 2011 the securities portfolio of the Company is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Financial assets at fair value through profit or loss	16,389,210	14,528,617	44,075,301
Total available for sale financial assets	393,157,668	408,866,189	449,634,841
Available for sale financial investments	30,929,539	14,438,067	51,546,630
Available for sale asset backing financial investments, policyholders portfolio	362,228,129	394,428,122	398,088,211
Total securities portfolio	409,546,878	423,394,806	493,710,142

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6. Financial assets (continued)

As at December 31, 2012, 2011 and January 1, 2011 financial assets as fair value through profit or loss are as follows:

	December 31, 2012		
	Cost	Fair value	Carrying value
Government bonds and treasury bills	-	-	-
Private sector bonds	10,500,000	10,532,970	10,532,970
Investment funds and asset backed securities	5,120,760	5,856,240	5,856,240
Total financial assets at fair value through profit or loss	15,620,760	16,389,210	16,389,210
	December 31, 2011		
	Cost	Fair value	Carrying value
Government bonds and treasury bills	14,638,769	14,528,617	14,528,617
Private sector bonds	-	-	-
Investment funds asset backed securities	-	-	-
Total financial assets at fair value through profit or loss	14,638,769	14,528,617	14,528,617
	January 1, 2011		
	Cost	Fair value	Carrying value
Government bonds and treasury bills	42,937,910	44,075,301	44,075,301
Private sector bonds	-	-	-
Investment funds asset backed securities	-	-	-
Total financial assets at fair value through profit or loss	42,937,910	44,075,301	44,075,301

As at December 31, 2012, 2011 and January 1, 2011 available for sale financial assets owned by the Company are as follows:

	December 31, 2012		
	Cost	Fair value	Carrying value
Government bonds – TL	30,641,141	30,929,539	30,929,539
Eurobonds-USD	-	-	-
Total available for sale financial investments	30,641,141	30,929,539	30,929,539
	December 31, 2011		
	Cost	Fair value	Carrying value
Government bonds – TL	5,630,750	5,291,947	5,291,947
Eurobonds-USD	8,892,370	9,146,120	9,146,120
Total available for sale financial investments	14,523,120	14,438,067	14,438,067
	January1, 2011		
	Cost	Fair value	Carrying value
Government bonds – TL	30,329,338	32,470,464	32,470,464
Eurobonds-USD	17,380,222	19,076,166	19,076,166
Total available for sale financial investments	47,709,560	51,546,630	51,546,630

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6. Financial assets (continued)

As at December 31, 2012 and 2011 and January 1, 2011 available for sale financial assets backing insurance contracts are as follows:

	December 31, 2012		
	Cost	Fair value	Carrying value
Government bonds – TL	67,257,935	70,240,904	70,240,904
Eurobonds – USD	175,735,083	185,908,997	185,908,997
Eurobonds – EUR	5,284,565	6,048,593	6,048,593
Time deposits – TL	87,861,825	91,232,084	91,232,084
Time deposits – USD	8,743,653	8,797,551	8,797,551
Total available for sale asset backing financial investments, policyholders portfolio	344,883,061	362,228,129	362,228,129

	December 31, 2011		
	Cost	Fair value	Carrying value
Government bonds – TL	117,222,000	113,853,953	113,853,953
Eurobonds – USD	185,844,471	192,758,726	192,758,726
Eurobonds – EUR	5,491,525	5,584,432	5,584,432
Time deposits – TL	57,515,000	59,462,481	59,462,481
Time deposits – USD	22,487,355	22,768,530	22,768,530
Total available for sale asset backing financial investments, policyholders portfolio	388,560,351	394,428,122	394,428,122

	January 1, 2011		
	Cost	Fair value	Carrying value
Government bonds – TL	182,361,854	187,792,566	187,792,566
Eurobonds – USD	181,678,251	205,315,381	205,315,381
Eurobonds – EUR	4,775,367	4,980,264	4,980,264
Time deposits – TL	-	-	-
Time deposits – USD	-	-	-
Total available for sale asset backing financial investments, policyholders portfolio	368,815,472	398,088,211	398,088,211

As at December 31, 2012 and 2011 financial assets at fair value through profit or loss and available for sale financial assets movement table is as follows:

	December 31, 2012	December 31, 2011
Opening, January 1	423,394,806	493,710,142
Acquisitions	424,762,744	134,254,777
Disposals	(411,235,693)	(202,402,966)
Change in the valuation	(2,401,222)	(5,474,896)
Disposals through the redemption	(26,055,361)	(5,328,540)
Unrealized exchange rate gains/(losses)	(14,048,968)	31,736,027
Balance recognized under equity	2,147,004	566,284
Balance recognized under life mathematical provisions	19,327,533	5,777,681
Balance recognized under income statement	(6,343,965)	(29,443,703)
Closing, December 31	409,546,878	423,394,806

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6. Financial assets (continued)

The maturity analysis of financial assets is as follows:

As at December 31, 2012, 2011 and January 1, 2011, the remaining contractual maturities of financial assets are as follows:

							December 31, 2012
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	Total
Government bonds and treasury bills	-	7,929,675	-	-	53,458,832	39,781,936	101,170,443
Eurobonds	-	4,128,584	-	-	142,052,386	45,776,620	191,957,590
Private sector bonds	-	10,532,970	-	-	-	-	10,532,970
Asset backed securities	-	-	5,856,240	-	-	-	5,856,240
Time deposits	-	65,728,307	-	34,301,328	-	-	100,029,635
Total		88,319,536	5,856,240	34,301,328	195,511,218	85,558,556	409,546,878
							December 31, 2011
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	Total
Government bonds and treasury bills	-	7,951,800	-	25,220,364	43,673,929	56,828,423	133,674,516
Eurobonds	-	2,821,027	-	-	129,723,641	74,944,811	207,489,279
Time deposits	-	18,739,562	-	63,491,449	-	-	82,231,011
Total		29,512,389		88,711,813	173,397,570	131,773,034	423,394,808
							January 1, 2011
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	Total
Government bonds and treasury bills	-	51,648,047	44,928	39,401,147	97,903,701	75,340,510	264,338,333
Eurobonds	-	2,028,407	-	-	7,218,159	220,125,243	229,371,809
Time deposits	-	-	-	-	-	-	-
Total		53,676,454	44,928	39,401,147	105,121,860	295,465,753	493,710,142

The foreign currency analysis of financial assets is as follows:

					December 31, 2012
	Currency	Foreign currency amount	Rate	Amount TL	
Available for sale financial investments	TL	-	-	30,929,539	
Total				30,929,539	
Financial assets at fair value through profit or loss	TL	-	-	16,389,210	
Total				16,389,210	
Total available for sale asset backing financial investments, policyholders portfolio	USD	109,226,157	1.7826	194,706,547	
	EUR	2,572,009	2.3517	6,048,594	
	TL	-	-	161,472,988	
Total				362,228,129	
					409,546,878

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6. Financial assets (continued)

December 31, 2011				
	Currency	Foreign currency amount	Rate	Amount TL
Available for sale financial investments	USD	4,842,035	1.8889	9,146,120
	TL	-	-	5,291,947
Total				14,438,067
Financial assets at fair value through profit or loss	TL	-	-	14,528,617
Total				14,528,617
Total available for sale asset backing financial investments, policyholders portfolio	USD	114,101,994	1.8889	215,527,256
	EUR	2,285,143	2.4438	5,584,432
	TL	-	-	173,316,434
Total				394,428,122
				423,394,806
January 1, 2011				
	Currency	Foreign currency amount	Rate	Amount TL
Available for sale financial investments	USD	12,339,047	1.5460	19,076,167
	TL	-	-	32,470,463
Total				51,546,630
Financial assets at fair value through profit or loss	TL	-	-	44,075,301
Total				44,075,301
Total available for sale asset backing financial investments, policyholders portfolio	USD	132,804,256	1.5460	205,315,380
	EUR	2,430,464	2.0491	4,980,264
	TL	-	-	187,792,567
Total				398,088,211
				493,710,142

As at December 31, 2012, 2011 and January 1, 2011, the blockage on financial assets of the policyholders in favour of Undersecretariat of Treasury has been disclosed in Note 32.

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7. Reinsurance share of insurance liabilities

As at December 31, 2012, 2011 and January 1, 2011 reinsurance share of insurance liabilities are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Reinsurers' share of outstanding claims	2,665,379	1,437,468	605,703
Reinsurers' share of unearned premiums reserve	2,446,834	1,221,031	912,032
Total	5,112,213	2,658,499	1,517,735

8. Premium and other insurance receivables

As at December 31, 2012, 2011 and January 1, 2011 premium and other insurance receivables are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Policyholders and reinsurance companies	9,848,772	8,007,009	6,165,646
Loans to the policyholders	404,067	588,178	695,429
Total premium and other insurance receivables	10,252,839	8,595,187	6,861,075

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their life policies that have made premium payments throughout the year that is determined by the technical bases related to certified tariffs of life policies (this period is 3 years according to general conditions of life insurance).

As at December 31, 2012, 2011 and January 1, 2011 maturity distribution of undue insurance operations receivables table is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Receivables from policyholders			
Up to 3 months	4,166,081	3,775,029	2,890,895
3 to 6 months	2,267,734	1,698,231	1,519,120
6 to 9 months	1,354,012	976,461	898,857
9 to 12 months	483,181	277,452	293,243
Total	8,271,008	6,727,173	5,602,115

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8. Premium and other insurance receivables (continued)

As at December 31, 2012, 2011 and January 1, 2011 maturity distribution of overdue insurance operations receivables table is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Overdue 0-3 months	941,042	696,861	391,595
Overdue 3-6 months	363,610	273,658	94,505
Overdue 6-9 months	194,955	113,531	15,058
Overdue 9-12 months	78,157	115,976	23,213
Overdue 1 year	-	79,810	39,160
Total	1,577,764	1,279,836	563,531
Grand total	9,848,772	8,007,009	6,165,646

As at December 31, 2012, 2011 and January 1, 2011 maturity distribution of aging of loans to the policyholders' table is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Up to 3 months	224,072	299,727	308,044
3 to 6 months	66,829	132,248	173,295
6 to 9 months	88,602	39,241	77,627
9 to 12 months	24,564	116,962	136,463
Total	404,067	588,178	695,429

As at December 31, 2012, 2011 and January 1, 2011 total mortgages and collateral obtained for receivables are as follows:

	December 31, 2012			
	USD	EUR	TL	Total (TL)
Guarantees received				
Letter of guarantees	83,782	-	2,246,350	2,330,132
Mortgage deed	-	-	241,200	241,200
Other guarantees	155,503	6,498	86,800	248,801
Total	239,285	6,498	2,574,350	2,820,133
	December 31, 2011			
	USD	EUR	TL	Total (TL)
Guarantees received				
Letter of guarantees	252,253	48,876	707,050	1,008,179
Mortgage deed	-	-	243,700	243,700
Other guarantees	183,665	6,752	202,156	392,573
Total	435,918	55,628	1,152,906	1,644,452

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8. Premium and other insurance receivables (continued)

	USD	EUR	January 1, 2011	
			TL	Total (TL)
Guarantees received				
Letter of guarantees	175,541	40,982	584,800	801,323
Mortgage deed	-	-	245,700	245,700
Other guarantees	151,096	5,662	278,606	435,364
Total	326,637	46,644	1,109,106	1,482,387

9. Pension business receivables and payables

As at December 31, 2012, 2011 and January 1, 2011, pension business receivables are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Due from pension operations	10,546,002	8,353,309	6,422,708
Investment management fee receivable	107,956	197,281	100,000
Total	10,653,958	8,550,590	6,522,708
Doubtful receivables from main operations	570,351	570,351	570,351
Provisions for doubtful receivables from main operations (-)	(570,351)	(570,351)	(570,351)
Net	-	-	-
Total individual pension business receivables, net	10,653,958	8,550,590	6,522,708

As at December 31, 2012, 2011 and January 1, 2011, pension business payables are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Temporary account of participants	68,325,519	52,305,017	42,148,642
Other payables from pension operations	4,136,399	1,310,122	1,796,327
Total pension business payables	72,461,918	53,615,139	43,944,969

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10. Other assets

As at December 31, 2012, 2011 and January 1, 2011 other assets are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Prepaid expenses	2,132,441	448,270	370,056
Prepaid taxes and funds	-	371,585	1,586,445
Receivables from shareholders (Note 33)	150,812	29,120	-
Advances given	67,578	28,492	6,173
Income accruals	110,196	-	-
Deposits and guarantees given	40,478	42,677	42,399
Other	122,071	173,451	168,274
Total other assets	2,623,576	1,093,595	2,173,347

11. Property and equipment, net

As of December 31, 2012 and 2011 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2012	Additions	Disposals	December 31, 2012
Machinery and equipment	5,742,570	496,886	(35,886)	6,203,570
Furniture and fixtures	9,845,194	1,513,948	(1,371,169)	9,987,973
Other tangible assets	8,430,086	1,334,034	-	9,764,120
Total	24,017,850	3,344,868	(1,407,055)	25,955,663
Accumulated depreciation: (-)	January 1, 2012	Additions	Disposals	December 31, 2012
Machinery and equipment	5,355,932	236,168	(35,868)	5,556,232
Furniture and fixtures	8,712,593	453,835	(1,348,461)	7,817,967
Other tangible assets	5,920,319	861,020	-	6,781,339
Total	19,988,844	1,551,023	(1,384,329)	20,155,538
Net book value	4,029,006	1,793,845	(22,726)	5,800,125
Costs:	January 1, 2011	Additions	Disposals	December 31, 2011
Machinery and equipment	5,702,749	53,424	(13,604)	5,742,569
Furniture and fixtures	10,539,036	682,350	(1,376,192)	9,845,194
Other tangible assets	7,646,929	792,131	(8,974)	8,430,086
Total	23,888,714	1,527,905	(1,398,770)	24,017,849
Accumulated depreciation: (-)	January 1, 2011	Additions	Disposals	December 31, 2011
Machinery and equipment	4,817,994	549,463	(11,525)	5,355,932
Furniture and fixtures	9,758,114	312,215	(1,357,736)	8,712,593
Other tangible assets	5,224,701	704,591	(8,974)	5,920,318
Total	19,800,809	1,566,269	(1,378,235)	19,988,843
Net book value	4,087,905	(38,364)	(20,535)	4,029,006

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11. Property and equipment, net (continued)

Depreciation expenses for the year is TL 1,551,023 (December 31, 2011 – TL 1,566,269).

As of December 31, 2012, 2011 and January 1, 2011, net book values of leased tangible assets classified under tangible assets are as follows:

Net book value	December 31, 2012	December 31, 2011	January 1, 2011
Machinery and equipment	182	410	10,317
Furniture and fixtures	-	107,449	138,859
Other tangible assets	232	91,451	111,980
Total	414	199,310	261,156

12. Intangible assets, net

As of December 31, 2012 and 2011 intangible assets movement and its accumulated amortization are as follows:

Cost	January 1, 2012	Additions	Impairments	Transfers	December 31, 2012
Software	22,658,116	3,396,038	-	691,641	26,745,795
Construction-in-progress	691,641	926,220	-	(691,641)	926,220
Total	23,349,757	4,322,258	-	-	27,672,015

Accumulated amortization (-)	January 1, 2012	Additions	Impairments	Transfers	December 31, 2012
Software	21,534,985	1,305,432	-	-	22,840,417
Total	21,534,985	1,305,432	-	-	22,840,417

Net book value	1,814,772				4,831,598
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Cost	January 1, 2011	Additions	Impairments	Transfers	December 31, 2011
Software	21,936,681	723,093	(1,658)	-	22,658,116
Construction-in-progress	-	691,641	-	-	691,641
Total	21,936,681	1,414,734	(1,658)	-	23,349,757

Accumulated amortization (-)	January 1, 2011	Additions	Impairments	Transfers	December 31, 2011
Software	20,607,790	928,853	(1,658)	-	21,534,985
Total	20,607,790	928,853	(1,658)	-	21,534,985

Net book value	1,328,891				1,814,772
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Amortization expenses for the year is TL 1,305,432 (December 31, 2011 – TL 928,853).
Construction in progress which is amounting to TL 926,220 consists of purchases about Information Systems and Technologies.

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13. Other financial assets

Other financial assets include equity participations that are classified as available for sale. As these equity participations do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and impracticable, they are stated at cost. As at December 31, 2012, 2011 and January 1, 2011 the details of other financial assets are as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
	%	Amount	%	Amount	%	Amount
Related party						
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	0.0080	71,119	0.0080	71,119	0.008	71,119
Ak Yatırım A.Ş.	-	-	0.020	9,381	0.020	9,381
Sabancı Telekom A.Ş.	-	-	-	-	0.0027	1,708
Ak Portföy Yönetim A.Ş.	-	-	0.001	33	0.001	33
Third party						
Milli Reasürans A.Ş.	0.1494	575,082	0.1494	575,082	0.1494	575,082
Emeklilik Gözetim Merkezi A.Ş.	8.3326	263,222	8.3326	263,222	8.3326	263,222
Enternasyonal Turizm Yatırım A.Ş.	0.0001	2	0.0001	2	0.0001	2
Endüstri Holding A.Ş.	0.0001	626	0.0001	626	0.0001	626
Total securities portfolio		910,051		919,465		921,173
Impairment (*)		(60,594)		(62,005)		(61,570)
		849,457		857,460		859,603

(*) The Company has booked the impairment provision for Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş., one of the affiliates, amounting to TL 60,594 in its financial statements as of December 31, 2012 (December 31, 2011: TL 62,005; January 1, 2011: TL 61,570).

14. Financial liabilities

	December 31, 2012	December 31, 2011	January 1, 2011
Short-term bank loan	1,189,477	2,280,000	3,102,248
Total	1,189,477	2,280,000	3,102,248

As at December 31, 2012, 2011 and January 1, 2011, short-term bank loan consists of interest-free spot loan.

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15. Due to insurance and reinsurance companies

As at December 31, 2012, 2011 and January 1, 2011 due to insurance and reinsurance companies are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Due to the intermediaries	4,415,181	2,654,669	2,935,934
Due to the reinsurance companies	657,281	2,088,920	223,568
Due to the policyholders	34,501	58,601	65,724
Total	5,106,963	4,802,190	3,225,226

16. Other provisions

As at December 31, 2012, 2011 and January 1, 2011 provision for expenses and lawsuit provisions are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Personnel bonus provision	8,403,010	6,311,951	5,957,902
Commission provision	920,000	1,565,937	799,244
Bonus provision for sales personnel	4,685,309	2,330,189	1,265,452
Provision for lawsuit against to the Company (Note 34)	5,153,849	5,090,947	4,534,843
Total	19,162,168	15,299,024	12,557,441

The movement of the other provisions are as follows:

	January 1, 2012	Charge during the year, net	December 31, 2012
Personnel bonus provision	6,311,951	2,091,059	8,403,010
Commission provision	1,565,937	(645,937)	920,000
Bonus provision for sales personnel	2,330,189	2,355,120	4,685,309
Provision for lawsuit against to the Company (Note 34)	5,090,947	62,902	5,153,849
Total	15,299,024	3,863,144	19,162,168

	January 1, 2011	Charge during the year, net	December 31, 2011
Personnel bonus provision	5,957,902	354,049	6,311,951
Commission provision	799,244	766,693	1,565,937
Bonus provision for sales personnel	1,265,452	1,064,737	2,330,189
Provision for lawsuit against to the Company (Note 34)	4,534,843	556,104	5,090,947
Total	12,557,441	2,741,583	15,299,024

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17. Taxes

Income tax

As at December 31, 2012, 2011 and January 1, 2011 prepaid income taxes are netted off with the current income tax payable as stated below:

	December 31, 2012	December 31, 2011	January 1, 2011
Income taxes payable	14,215,052	-	666,164
Prepaid income taxes	(13,174,012)	-	-
Income taxes payable	1,041,040	-	666,164

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in the following statements:

	Cumulative temporary differences			Deferred tax assets / (liabilities)		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
Provision for employment termination benefit	1,810,014	1,272,987	792,468	362,003	254,597	158,494
Vacation pay liability	2,587,221	2,970,688	3,208,027	517,444	594,138	641,605
Provision for lawsuit	5,153,850	5,090,947	4,534,842	1,030,770	1,018,189	906,968
Provision for Actuarial Chain Ladder Method	-	1,102,632	223,871	-	220,526	44,774
Provision for loans to policyholders						
Banking Insurance Transaction Tax	1,070	1,341	1,777	214	268	355
Portfolio price difference for financial assets at fair value through profit or loss	-	185,429	18,612	-	37,086	3,722
Expense accrual	14,233,003	10,299,295	9,434,507	2,846,601	2,059,859	1,886,901
Total deferred income tax assets	23,785,158	20,923,319	18,214,104	4,757,032	4,184,663	3,642,819
Net difference between the carrying values and tax base values of tangible assets and intangible assets	(1,649,391)	(905,710)	(778,425)	(329,878)	(181,142)	(155,685)
Eurobond valuation difference	(440,520)	(690,695)	(1,015,327)	(88,104)	(138,139)	(203,065)
Deferred acquisition cost	(84,061,255)	(73,457,876)	(51,325,193)	(16,812,251)	(14,691,575)	(10,265,039)
Total deferred tax liabilities	(86,151,166)	(75,054,281)	(53,118,945)	(17,230,233)	(15,010,856)	(10,623,789)
Deferred tax assets (liabilities) accounted under equity due to increase value of available for sale financial assets	(1,171,631)	(1,409,409)	(4,104,703)	(234,326)	(281,882)	(820,941)
Deferred tax liabilities, net	(63,537,639)	(55,540,371)	(39,009,544)	(12,707,527)	(11,108,075)	(7,801,911)

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17. Taxes (continued)

Movement of deferred tax liabilities for the year ended December 31, 2012 and 2011 are as follows:

	January 1, December 31, 2012	January 1, December 31, 2011
Opening balance, 1 January	(11,108,075)	(7,801,911)
Charged to income statement	(1,647,008)	(3,845,223)
Charged to equity	47,556	539,059
Closing balance, December 31	(12,707,527)	(11,108,075)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax legislation that has been enacted at the statement of financial position date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Income tax expenses for the year ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Income tax expense recognized in profit or loss:		
- Current tax charge	(14,215,051)	(6,971,562)
- Deferred tax (charge)/benefit	(1,647,008)	(3,845,223)
Income tax expense	(15,862,059)	(10,816,785)

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	December 31, 2012	December 31, 2011
Profit before taxes	65,224,933	62,105,328
Tax rate	20%	20%
Taxes on income per statutory tax rate	(13,044,987)	(12,421,066)
Revenue that is exemption from tax	2,130,067	4,023,653
Non-deductible expenses	(4,947,139)	(2,419,372)
Income tax expense	(15,862,059)	(10,816,785)

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18. Employment termination benefit

	December 31, 2012	December 31, 2011	January 1 2011
Provision for employment termination benefits	1,810,014	1,272,987	792,468
Total	1,810,014	1,272,987	792,468

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and achieves the retirement age.

The amount payable consists of one month's salary limited to a maximum of TL 3,034 (December 31, 2011: TL 2,732, January 1, 2011: TL 2,517) for each year of service as of December 31, 2012

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation; the provision has been calculated by using projection method. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2012	December 31, 2011	January 1, 2011
Discount rate	8.0%	10.0%	10.0%
Estimated salary increase rate	4.5%	5.1%	5.1%

The movement in the provision for employment termination benefits in the current year is as follows:

	2012	2011
Opening balance, January 1	1,272,987	792,468
Paid during the year	(1,561,177)	(1,153,316)
Service cost	273,157	197,216
Interest expense	42,762	36,929
Actuarial loss	1,782,285	1,399,690
Closing balance, December 31	1,810,014	1,272,987

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19. Deferred expenses

As at December 31, 2012 and 2011 movements of deferred expenses are as follows:

	2012	2011
Deferred acquisition costs, gross January 1	73,457,876	51,325,193
Acquisition costs deferred during the year	35,943,585	41,433,717
Amortization	(25,340,205)	(19,301,034)
Deferred acquisition costs, gross December 31	84,061,256	73,457,876
Deferred commission costs, gross January 1	10,115,341	10,863,576
Change during the year (Note 27)	4,491,580	(748,235)
Deferred commission costs, gross December 31	14,606,921	10,115,341
Total deferred expenses, gross December 31	98,668,177	83,573,217

20. Other payables and liabilities

As at December 31, 2012, 2011 and January 1, 2011 other payables and liabilities are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Payables to suppliers	7,199,041	9,354,010	4,524,712
Taxes and funds payable	4,276,726	7,633,317	4,986,753
Payables to related parties (Note 33)	2,724,017	3,198,184	2,116,103
Unused vacation provision	2,587,221	2,970,688	3,208,027
Expense accruals	1,034,218	1,236,537	2,217,843
Deferred commission income	978,810	631,339	391,345
Payables to personnel	647,861	431,424	359,741
Payables to shareholders (Note 33)	42,590	1,022	701
Total	19,490,484	25,456,521	17,805,225

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21. Insurance contract liabilities

Insurance liabilities as at December 31, 2012, 2011 and January 1, 2011 are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Gross insurance liabilities			
Reserve for unearned premiums	42,506,691	31,107,673	31,438,765
Claims provision	29,414,059	22,031,524	19,690,948
Life mathematical provisions	400,549,804	421,746,953	437,022,901
Total	472,470,554	474,886,150	488,152,614
Reinsurance share of insurance liabilities			
Reserve for unearned premiums, ceded (Note 7)	2,665,379	1,437,468	912,032
Claims provision, ceded (Note 7)	2,446,834	1,221,031	605,703
Total	5,112,213	2,658,499	1,517,735
Net insurance liabilities			
Reserve for unearned premiums	39,841,312	29,670,205	30,526,733
Claims provision	26,967,225	20,810,493	19,085,245
Life mathematical provisions	400,549,804	421,746,953	437,022,901
Net insurance liabilities	467,358,341	472,227,651	486,634,879

Movements in insurance liabilities and reinsurance assets

Claims:

December 31, 2012	Gross	Ceded	Net
Total at the beginning of the year	22,031,524	1,221,031	20,810,493
Change during year	7,382,535	1,225,803	6,156,732
Total at the end of the year	29,414,059	2,446,834	26,967,225
December 31, 2012	Gross	Ceded	Net
Reported claims	21,179,020	1,603,044	19,575,976
Incurred but not reported	8,235,039	843,790	7,391,249
Total at the end of the year	29,414,059	2,446,834	26,967,225

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21. Insurance liabilities (continued)

December 31, 2011	Gross	Ceded	Net
Total at the beginning of the year	19,690,949	605,704	19,085,245
Change during year	2,340,575	615,327	1,725,248
Total at the end of the year	22,031,524	1,221,031	20,810,493

December 31, 2011	Gross	Ceded	Net
Reported claims	15,869,324	669,010	15,200,314
Incurred but not reported	6,162,200	552,021	5,610,179
Total at the end of the year	22,031,524	1,221,031	20,810,493

Claims paid and change in outstanding claims for the year ended December 31, 2012 and 2011 are as follows:

	January 1- December 31, 2012	January 1- December 31, 2011
Cash paid for claims settled during the year	132,766,410	121,428,969
- Surrender and maturity from life savings	112,232,735	104,181,648
- Surrender from life protection	2,193,341	372,933
- Death and disability (*)	18,340,334	16,874,388
Change in outstanding claims	6,156,732	1,725,248
Claims paid and change in outstanding claims	138,923,142	123,154,217

(*)The amounts are netted-off reinsurance.

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21. Insurance liabilities (continued)

Reserve for unearned premiums:

December 31, 2012	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	31,107,673	1,437,468	29,670,205
Premiums written during the year	197,543,663	9,265,069	188,278,594
Premiums earned during the year	(186,144,645)	(8,037,158)	(178,107,487)
Reserve for unearned premiums at the end of the year	42,506,691	2,665,379	39,841,312
December 31, 2011	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	31,438,765	912,033	30,526,732
Premiums written during the year	148,415,864	6,951,606	141,464,258
Premiums earned during the year	(148,746,956)	(6,426,171)	(142,320,785)
Reserve for unearned premiums at the end of the year	31,107,673	1,437,468	29,670,205

Life mathematical provisions

	2012	2011	2010
	Mathematical reserve TL	Mathematical reserve TL	Mathematical reserve TL
Total at the beginning of the year	415,969,273	412,763,786	422,286,505
Additions	61,771,035	92,007,573	85,254,427
Disposals	(96,518,037)	(88,802,087)	94,777,146
Total at the end of the year	381,222,270	415,969,272	412,763,786

As of December 31, 2012, the fair value difference of financial assets at insured's risk amounting to TL 19,327,533 (December 31, 2011: TL 5,777,681; January 1, 2011 TL 24,259,115) has not been included in mathematical reserves.

As of December 31, 2012 the Company has netted-off the loans to insured from the insurance contract liabilities amounting to TL 144,089,197 (December 31, 2011: TL 156,736,660; January 1, 2011 TL 138,345,067).

As of December 31, 2012, the investment income related with the financial assets at insured's risk in income statement amounting to TL 23,706,535 has not been included in above life mathematical provision table for statement of financial position (December 31, 2011: TL 87,344,698).

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21. Insurance liabilities (continued)

The claims provision is sensitive to some key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Claims development tables

As at December 31, 2012; claim development table of the Company is as follows:

Accident year	2005 and earlier	2006	2007	2008	2009	2010	2011	2012	Total
Current estimate of claims	473,849	26,542	581,347	2,058,282	1,512,466	1,802,976	2,108,774	11,081,144	19,645,380
Accident year	-	107,366	2,470	24,500	54,984	245,761	550,246	-	985,327
1 year later	1,082	1,663	-	182,101	167,431	87,929	-	-	440,206
2 years later	-	344	-	66,473	30,180	-	-	-	96,997
3 years later	-	-	-	6,110	-	-	-	-	6,110
4 years later	-	-	-	-	-	-	-	-	-
5 years later	-	-	-	-	-	-	-	-	-
6 years later	-	-	-	-	-	-	-	-	-
7 years later	5,000	-	-	-	-	-	-	-	5,000
Total	479,931	135,915	583,817	2,337,466	1,765,061	2,136,666	2,659,020	11,081,144	21,179,020
Incurred but not reported									5,419,857
Additional claims according to the actuarial claim development table									2,815,182
Total gross provision for outstanding claims as at December 31, 2012									29,414,059

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21. Insurance liabilities (continued)

As at December 31, 2011, claim development table of the Company is as follows:

Accident year	2004 and earlier	2005	2006	2007	2008	2009	2010	2011	Total
Current estimate of claims	-	-	-	-	-	-	-	-	-
Accident year	7,730	2,146	27,238	19,200	64,867	67,157	1,520,824	12,945,127	14,654,289
1 year later	-	-	425	2,470	34,452	298,284	397,329	-	732,960
2 years later	-	-	-	-	194,978	212,621	-	-	407,599
3 years later	-	-	-	-	70,470	-	-	-	70,470
4 years later	-	-	-	-	-	-	-	-	-
5 years later	-	-	-	-	-	-	-	-	-
6 years later	-	-	-	-	-	-	-	-	-
7 years later	-	4,006	-	-	-	-	-	-	4,006
Total	7,730	6,152	27,663	21,670	364,767	578,062	1,918,153	12,945,127	15,869,324
Incurred but not reported									4,051,199
Additional claims according to the actuarial claim development table									2,111,001
Total gross provision for outstanding claims as at December 31, 2011									22,031,524

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21. Insurance liabilities (continued)

As at January 1, 2011, claim development table of the Company is as follows:

Accident year	2003 and earlier	2004	2005	2006	2007	2008	2009	2010	Total
Current estimate of claims	-	6,884	1,064	32,042	21,190	432,474	377,614	12,866,414	13,737,682
Accident year	-	748	457	874	9,710	138,967	473,429	-	624,185
1 year later	-	-	1,082	1,662	-	308,182	-	-	310,926
2 years later	-	-	-	344	-	-	-	-	344
3 years later	-	-	-	-	-	-	-	-	-
4 years later	-	-	-	-	-	-	-	-	-
5 years later	-	-	-	-	-	-	-	-	-
6 years later	-	-	-	-	-	-	-	-	-
7 years later	-	-	-	-	-	-	-	-	-
Total	-	7,632	2,603	34,922	30,900	879,623	851,043	12,866,414	14,673,137
Incurring but not reported	-	-	-	-	-	-	-	-	5,017,811
Additional claims according to the actuarial claim development table	-	-	-	-	-	-	-	-	-
Total gross provision for outstanding claims as at January 1, 2011	-	7,632	2,603	34,922	30,900	879,623	851,043	12,866,415	19,690,948

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22. Equity

Share capital of the Company as at December 31, 2012, 2011 and January 1, 2011 are as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
	Shareholding %	TL	Shareholding %	TL	Shareholding %	TL
Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding)	49.83	17,830,354	49.83	17,830,354	49.83	17,830,354
Aviva International Holdings Limited	-	-	-	-	49.83	17,830,354
Aviva Europe SE	49.83	17,830,354	49.83	17,830,354	-	-
Others	0.34	118,489	0.34	118,489	0.34	118,489
	100.00	35,779,197	100.00	35,779,197	100.00	35,779,197
Adjustments to share capital		16,192,783		16,192,783		16,192,783
Total Equity		51,971,980		51,971,980		51,971,980

- (*) Regarding Board of Directors numbered 39 and dated September 28, 2011, the Company informed BOD about selling shares with nominal value of TL 17,830,354.50 to Aviva Europe SE by Aviva International Holdings Limited and decided to record selling into the share register. Aviva International Holdings Limited has transferred its shares to Aviva Europe SE on October 28, 2011.

Profit and other capital reserves:

Details of the profit and other capital reserves are explained below:

	December 31, 2012	December 31, 2011	January 1, 2011
Profit reserves	9,168,359	5,711,322	5,711,322
Other capital reserves	66,865,115	66,865,115	66,865,115
Total	76,033,474	72,576,437	72,576,437

Retained earnings as per the statutory financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage. There is no movement in the legal reserves in the current year.

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22. Equity (continued)

Profit reserves

As at December 31, 2012, 2011 and January 1, 2011 details of profit reserves is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Legal reserves	1,606,831	289,045	289,045
Statutory reserves	2,122,467	11,494	11,494
Extraordinary reserves	5,439,061	5,410,783	5,410,783
Total	9,168,359	5,711,322	5,711,322

Other capital reserves

As of December 31, 2012, 2011 and January 1, 2011 capital reserves of the Company amounting to TL 66,865,115 consist of the amount of TL 66,540,803 that are differences resulted between the amount of TL 82,320,000 that is pre-merger nominal capital of Aviva Emeklilik and TL 15,779,197 that is capital increase amount of Ak Emeklilik; inflation adjustment of affiliates amounting to TL 324,236 and the amount of TL 76 that is bonus share increase of the affiliate.

Movement of profit reserves is presented below:

	2012	2011
Opening balance, January 1	5,711,322	5,711,322
Transfers	3,457,037	-
Closing balance, December 31	9,168,359	5,711,322

Fair value reserves from available for sale assets

Unrealized gains and losses due to changes in the fair values available for sale financial assets net of taxes are directly recognized in the shareholders' equity as "Fair value reserves from available for sale assets."

Movement of the reserve is below:

	2012	2011
Opening balance, January 1	284,402	4,372,530
Unrealized gains and losses due to changes in the fair values available for sale financial assets net of taxes	1,628,276	(4,088,128)
Closing balance, December 31	1,912,678	284,402

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22. Equity (continued)

Non-distributable reserve

As at December 31, 2012, 2011 and January 1, 2011, the Company has non-distributable reserve amounting to TL 6,144,489, TL 4,036,822 and TL 2,444,200, respectively.

Dividend per share

In 2012, the Company has distributed dividend to shareholders with respect to 2011 net distributable profit after the transfer of first and legal reserves amounting to TL 22,898,685 (TL 0.0064 per share) as of April 2, 2012 (2011: None).

23. Earnings per share

Shareholder of the company's earnings per share calculation is as follows:

	December 31, 2012	December 31, 2011
Profit for the year	49,362,874	51,288,543
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	3,577,919,700	3,577,919,700
Earnings per share	0.0138	0.0143

As of December 31, 2012 capital of the Company consists of 3,577,919,700 shares with nominal value of TL 0.01 (December, 2011: 3,577,919,700 shares with nominal value of TL 0.01).

24. Written premiums

The distribution of written premiums is as follows:

	January 1- December 31, 2012			January 1- December 31, 2011		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Non-life	32,341,198	(56,533)	32,284,665	26,784,037	(47,243)	26,736,794
Life	165,202,465	(9,208,536)	155,993,929	121,631,827	(6,904,363)	114,727,464
Total premium income	197,543,663	(9,265,069)	188,278,594	148,415,864	(6,951,606)	141,464,258

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25. Income generated from pension business

Income generated from pension business for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Fund management income	83,548,762	66,874,393
Management fee deduction	32,023,291	28,292,087
Entry and deferred entry fees	20,023,034	15,842,103
Total	135,595,087	111,008,583

26. Foreign exchange gain / (loss), net

Total financial expenses for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Foreign exchange gains	6,106,539	16,312,195
Foreign exchange losses	(8,925,495)	(11,307,385)
Total	(2,818,956)	5,004,810

27. Commission income and expense, net

Commission income for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Commission income from reinsurance companies (net)	2,039,795	1,295,013
Total	2,039,795	1,295,013

Commission expense for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Commission expenses due to personal accident insurance	(12,924,133)	(12,178,400)
-Change in commission expenses	(14,722,646)	(10,741,927)
-Change in deferred acquisition cost (Note 19)	1,798,513	(1,436,473)
Commission expenses due to life insurance	(24,191,213)	(12,304,305)
-Change in commission expenses	(26,884,280)	(12,992,543)
-Change in deferred acquisition cost (Note 19)	2,693,067	688,238
Total	(37,115,346)	(24,482,705)

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28. Investment and other income / (expense), net

Investment and other income for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Interest income	23,366,209	17,589,397
-Income from financial assets at fair value through profit or loss	19,818,583	13,975,564
-Income from available for sale financial assets	3,547,626	3,613,833
Net income from sale of financial assets	1,356,378	8,012,617
-Income from financial assets at fair value through profit or loss	1,846,985	40,652
-Income and expenses from available for sale financial assets	(490,607)	7,971,965
Dividend income	21,162	53,909
Investment management expenses	(278,237)	(101,933)
Other income	448,204	453,301
Total	24,913,716	26,007,291

29. Pension expenses including commissions

Pension expenses including commissions for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Fund management charges	(8,943,434)	(9,380,903)
Commission expenses, net of DAC	(23,110,547)	(18,257,649)
-Commission expenses due to individual pension system	(29,801,129)	(30,549,411)
-Change in deferred acquisition cost (Note 19)	6,690,582	12,291,762
Other income/ (expenses), net	(5,652,223)	(4,460,447)
Total	(37,706,204)	(32,098,999)

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30. General and administrative expenses

General and administrative expenses for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Personnel expenses	(77,624,510)	(73,725,978)
Outsourced expenses including IT services	(14,229,703)	(11,247,281)
Advertising and marketing expenses	(7,659,724)	(6,503,147)
Travelling and transportation expenses	(7,535,543)	(6,459,029)
Management expenses	(6,702,248)	(5,572,646)
Communication expenses	(5,487,821)	(4,402,956)
Representation and hosting expenses	(4,691,903)	(4,551,658)
Depreciation and amortization (Note 11 ,12)	(2,856,455)	(2,495,122)
Other marketing, sales and distribution expenses	(1,109,456)	(1,005,551)
Office supplies expenses	(1,702,802)	(1,383,370)
Broker expenses	(774,192)	(642,431)
Change in deferred acquisition cost (Note 19)	3,912,798	9,840,921
Other expenses	(2,403,462)	(2,273,164)
Total	(128,865,021)	(110,421,412)

Personnel expenses for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Salaries	(45,308,139)	(41,824,781)
Commission and promotion expenses	(7,859,828)	(11,413,848)
Social security expenses	(6,981,984)	(6,904,905)
Other personnel expenses	(5,551,791)	(4,835,462)
Other salary expenses	(9,864,681)	(7,006,244)
Employee termination benefit expenses	(1,561,177)	(1,153,316)
Notice pay expense	(142,236)	(202,081)
Unused vacation expenses	(354,674)	(385,341)
Total	(77,624,510)	(73,725,978)

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31. Other income / (expense), net

Other income and expenses for the year ended December 31, 2012 and 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Other income:		
Accrued subrogation income	(581,287)	601,284
Other technical income	19,429	28,530
Other income	53,453	118,029
Other expense:		
Other operating expense	(458,029)	(371,485)
Other expense	(137,049)	(41,248)
Total other income / (expense), net	(1,103,483)	335,110

32. Blocked securities and bank deposits

Under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Undersecretariat of Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	December 31, 2012	December 31, 2011	January 1, 2011
Blocked bank deposits	155,067,627	143,244,584	35,230,000
Blocked securities	266,148,779	299,112,867	407,154,314
Total	421,216,406	442,357,451	442,384,314

As at December 31, 2012, 2011 and January 1, 2011, details of the blockage on cash and cash equivalents of the Company's own portfolio are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Blocked bank deposits			
- Foreign currency denominated	3,386,940	10,322,839	-
- Turkish Lira	55,075,209	52,919,390	21,480,000
Total	58,462,149	63,242,229	21,480,000

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32. Blocked securities and bank deposits (continued)

As at December 31, 2012, 2011 and January 1, 2011, details of the cash and cash equivalents and financials asset of the policyholders are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Blocked bank deposits			
- Foreign currency denominated	8,743,653	22,487,355	-
- Turkish Lira	87,861,825	57,515,000	13,750,000
Blocked securities			
- Foreign currency denominated	164,790,590	182,454,065	186,575,226
- Turkish Lira	101,358,189	116,658,802	220,579,088
Total	362,754,257	379,115,222	420,904,314

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33. Related party balances and transactions

As at December 31, 2012 and 2011 and January 1, 2011 balances and with related parties are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Other related parties:			
Akbank T.A.Ş. – demand deposits	3,539,437	6,806,322	4,252,802
Akbank T.A.Ş. – time deposits	142,741,572	143,438,610	74,904,554
Akbank T.A.Ş. – other cash and cash equivalents	63,732,510	53,422,048	45,900,170
Cash and cash equivalents	210,013,519	203,666,980	125,057,526
Other related parties:			
Akbank T.A.Ş. – private sector bonds	9,020,160	-	-
Ak Finansal Kiralama A.Ş. – private sector bonds	1,512,810	-	-
Financial assets at fair value through profit or loss	10,532,970	-	-
Other related parties:			
Aksigorta A.Ş.	-	3,551	3,534
Aviva Sigorta A.Ş.	15,945	15,354	13,328
Vista Turizm ve Seyahat A.Ş.	-	-	889
Receivables from main operations	15,945	18,905	17,751
Other related parties:			
Vista Turizm ve Seyahat A.Ş.	458,919	280,666	171,040
Teknosa İç ve Dış Tic. A.Ş.	207,463	2,028	9,987
Mersin Hilton Enternasyonal Otelcilik A.Ş.	-	-	212
Adana Hilton Enternasyonal Otelcilik Ltd. Şti.	-	-	1,359
Emeklilik Gözetim Merkezi A.Ş.	31,125	65,996	42,897
Sabancı Üniversitesi	-	-	52,789
Akbank T.A.Ş.	-	294	-
Aksigorta A.Ş.	83,972	-	10,463
Enerjisa Enerji A.Ş.	35,490	32,396	-
Ak Portföy Yönetimi A.Ş.	869,192	2,794,961	1,809,204
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş.	1,035,477	19,357	17,045
Aviva Sigorta A.Ş.	2,379	-	-
Ak Finansal Kiralama A.Ş.	-	2,486	1,107
Payables from main operations	2,724,017	3,198,184	2,116,103
Shareholders:			
Hacı Ömer Sabancı Holding	21,167	1,022	701
Other	21,423	-	-
Payables to shareholders	42,590	1,022	701
Shareholders:			
Aviva International Holdings	150,812	29,120	-
Receivables from shareholders	150,812	29,120	-

No guarantees have been taken for the receivables from related parties.

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33. Related party balances and transactions (continued)

Transactions with related parties for the year ended January 1 – December 31, 2012 and January 1-December 31, 2011 are as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Other related parties:		
Akbank T.A.Ş.	64,033,187	49,995,130
Ak Portföy Yönetimi A.Ş.	9,223,082	9,482,400
Vista Turizm ve Seyahat A.Ş.	2,510,750	2,947,404
Aksigorta A.Ş.	2,203,710	1,968,363
Emeklilik Gözetim Merkezi A.Ş.	1,031,685	1,113,217
Milli Reasürans T.A.Ş.	669,551	497,104
Enerjisa Enerji A.Ş.	432,770	384,265
Citibank A.Ş.	231,071	286,529
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş.	158,282	142,983
Other	542,253	218,159
Service purchases	81,036,341	67,035,554
Other related parties:		
Akbank T.A.Ş.	16,040,509	14,002,749
Interest income	16,040,509	14,002,749

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33. Related party balances and transactions (continued)

	January 1 – December 31, 2012	January 1 – December 31, 2011
Other related parties:		
Citibank A.Ş.	1,439,268	1,896,214
Philip Morris Seyahat Perakende Satış A.Ş.	414,789	17,483
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	414,703	370,602
Philip Morris Sabancı Sigara ve Tütün A.Ş.	396,592	350,004
Milli Reasürans T.A.Ş.	380,496	298,885
Aviva Sigorta A.Ş.	304,269	433,037
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	284,673	315,474
Temsa Global San. ve Tic. A.Ş.	284,357	248,386
Enerjisa Doğal Gaz Toptan Satış A.Ş.	226,208	262,257
Akçansa Çimento San. ve Tic. A.Ş.	158,552	158,310
Çimsa Çimento San. Ve Tic. A.Ş.	153,617	148,077
Sabancı Üniversitesi	149,522	152,007
Aksigorta A.Ş.	133,771	109,161
Teknosa İç ve Dış ticaret A.Ş.	129,191	111,961
Olmuksa Olmuk Mukavva San. ve Tic. A.Ş.	127,616	121,529
Sasa Polyester Sanayi A.Ş.	111,860	115,151
Yünsa Yünlü San. Tic. A.Ş.	78,256	68,087
Akbank T.A.Ş.	52,197	-
Bımsa Uluslararası İş. Bilgi ve Yönetim Sistemleri A.Ş.	47,074	42,627
Ak Portföy Yönetimi A.Ş.	43,899	35,551
Ak Yatırım Menkul Değerler A.Ş.	39,247	32,673
Philip Morris Sabancı Satış ve Pazarlama A.Ş.	20,324	365,159
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	3,715	9,902
Other	388,587	245,405
Written premiums	5,782,783	5,907,942
Other related parties:		
Milli Reasürans T.A.Ş.	-	50,497
Ak Yatırım Menkul Değerler A.Ş.	3,968	3,026
Tursa Sabancı Turizm ve Yatırım Tic. A.Ş.	303	305
Ak Portföy Yönetimi A.Ş.	106	81
Dividend income	4,377	53,909

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34. Contingencies

Provision for lawsuit

Provision for lawsuit against the Company is classified under other provision and claims provision.

As at December 31, 2012, 2011 and January 1, 2011, total lawsuit risk is TL 11,962,578, TL 10,156,406 and TL 8,629,715, respectively. Details of the provision for lawsuit against to the Company are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Lawsuit provision under other provision:	5,153,849	5,090,947	4,534,843
-Business lawsuit against the Company	2,646,245	3,068,215	3,179,888
-Insurance lawsuit against the Company	2,195,371	1,703,700	1,065,407
-Other lawsuit against the Company	312,233	319,032	289,548
Lawsuit provision under claims provision	6,808,729	5,065,459	4,094,872
Total lawsuit provision	11,962,578	10,156,406	8,629,715

35. Commitments

Operational leases

Future minimum rentals payable under operational leases as at December 31, 2012, 2011 and January 1, 2011 are as follows:

	December 31, 2012			
	TL	USD	EUR	Total
Within one year	1,519,244	2,960,143	834,113	5,313,500
After one year but not more than five years	1,139,820	5,727,915	1,607,507	8,475,242
Total operational lease rental payable	2,659,064	8,688,058	2,441,620	13,788,742
	December 31, 2011			
	TL	USD	EUR	Total
Within one year	1,179,243	3,034,042	1,614,542	5,827,827
After one year but not more than five years	2,113,803	9,206,144	3,229,084	14,549,031
Total operational lease rental payable	3,293,046	12,240,186	4,843,626	20,376,858
	January 1, 2011			
	TL	USD	EUR	Total
Within one year	793,876	4,281,127	24,589	5,099,592
After one year but not more than five years	2,308,467	9,994,229	82,989	12,385,685
Total operational lease rental payable	3,102,343	14,275,356	107,578	17,485,277

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35. Commitments (continued)

As at December 31, 2012, 2011 and January 1, 2011, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

As at December 31, 2012, 2011 and January 1, 2011, letters of guarantee given to suppliers and government institutions are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Letters of guarantee	2,532,515	1,671,354	712,554
Total	2,532,515	1,671,354	712,554

36. Subsequent events

The new "Regulation on Individual Pension System" became effective as of January 1, 2013 after being published in the official gazette by the Prime Ministry Undersecretariat of Treasury of the Turkish Republic on November 9, 2012.

With the decision of the Company's Board of Directors numbered 1 held on January 11, 2013, the Company has sold out Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.' shares to Hacı Ömer Sabancı Holding A.Ş.

The Company has founded six pension investment funds. The names of the funds and initial public offering dates are below:

Name of Pension Fund	Date of Public Offering
AvivaSA Emeklilik ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu	02.05.2013
AvivaSA Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu	03.05.2013
AvivaSA Emeklilik ve Hayat A.Ş. Altın Emeklilik Yatırım Fonu	20.06.2013
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Alternatif Esnek Emeklilik Yatırım Fonu (*)	-
AvivaSA Emeklilik ve Hayat A.Ş. BRIC Ülkeleri Esnek Emeklilik Yatırım Fonu (*)	-
AvivaSA Emeklilik ve Hayat A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu (*)	-

(*) Related pension investment funds have not been offered yet.

In 2013 and 2014, the Company has distributed dividend to shareholders with respect to for the year ended 2012 and 2013 net distributable profit after the transfer of legal reserves amounting to TL 33,632,445 and 26,118,814, respectively.

With the decision of the Company's Board of Directors numbered 35 held on July 15, 2014, within the context of the planned initial public offering transaction, the Company has changed the article of association and accepted the registered capital system pursuant to Capital Market Law.